

PUBLIC

## Document of the Inter-American Development Bank

### 2019 Approved Program and Budget Final Version

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March 2019

GA-269-4



Budget and Administrative Services Department





## 2019 Approved Program and Budget Book – Final Version

### **Purpose**

The purpose of this document is to provide Board members and Management with a single 2019 budget reference document, for information, that reflects all final budgetary adjustments and recommendations as approved by the Board on December 12, 2018, and shown in document [GA-269-3](#), *“2019 Program and Budget Proposal. Report of the Chairperson of the Budget and Financial Policies Committee”*.

### **Contents**

This document contains: (i) the final 2019 approved budget resolutions; and (ii) 2019 administrative, capital, OC strategic development programs and other budget tables and annexes presented originally in document [GA-269-1](#), *“2019 Program and Budget Proposal”*, submitted to the Board on October 31, 2018 and updated appropriately to reflect content of document [GA-269-3](#).

To comply with the Bank’s disclosure of information policy, this version will be available on the Bank’s internet website for public access.

For all inquiries or clarifications by Management departments/offices, please contact your Budget Division (BDA/BGT) Budget Officer or Carlos Herrera; Board members should contact Yeshey Edwin.



## Table of Contents

1.	EXECUTIVE SUMMARY.....	5
	A. Context of the 2019 Work Program .....	5
	B. Budget Formulation Overview .....	6
	C. 2019 Approved Budgets for Administrative, Capital and Ordinary Capital (OC) Strategic Development Programs.....	8
	D. Structure of the Document .....	10
2.	STRATEGIC CONTEXT OF THE 2019 APPROVED PROGRAM AND BUDGET .....	12
	A. Progress in Addressing the UIS in 2017 as per the CRF .....	12
	B. Areas of Strategic Emphasis for the 2019 Work Program.....	13
3.	2019 MAIN BUSINESS FUNCTIONS AND RESULTS BASED BUDGETING (RBB) PERFORMANCE INDICATORS.....	17
	A. Operations Main Business Functions .....	17
	B. Corporate Main Business Functions .....	26
4.	2019 IDB APPROVED ADMINISTRATIVE BUDGET .....	34
	A. 2019 IDB Management Budget Nominal Growth Relative to the 2018 Approved Budget .....	35
	B. 2019 Approved Administrative Budget by Labor and Non-Labor Costs, Organizational Unit and Major Item of Expense .....	39
5.	2019 APPROVED CAPITAL BUDGET .....	45
	A. Outcome of the Prioritization Exercise for 2019 Projects.....	45
	B. 2019 Capital Budget Plan – Overview .....	45
6.	2019 APPROVED OC STRATEGIC DEVELOPMENT PROGRAMS (OC-SDPs).....	47
	A. Background Information and Overview .....	47
	B. 2019 OC Strategic Development Programs .....	47
7.	2019 ESTIMATED ADMINISTRATIVE INCOME AND REIMBURSEMENT FLOWS OUTSIDE THE ADMINISTRATIVE BUDGET .....	51
	A. 2019 Estimated Administrative Income.....	51
	B. 2019 Estimated Reimbursement Flows.....	51
	APPROVED RESOLUTIONS .....	54

**ANNEXES ..... 60**

Annex A. 2018 Approved and 2019 Estimated Bank Contributions to Retirement Plans .. 61  
Annex B. 2018 Expenditures by Organizational Unit as of December 31, 2018 ..... 62  
Annex C. Key Main Business Functions Description ..... 63  
Annex D1. Approved Capital Budget for Headquarters 2019-2021 ..... 64  
Annex D2. Approved Capital Budget for Country Offices 2019-2021 ..... 64  
Annex D3. Approved Capital Budget for Information Technology 2019-2021 ..... 65  
Annex E. Acronyms ..... 66

**List of Tables<sup>1</sup>**

Table 1.1. 2014-2019 Selected RBB Performance Indicators by Main Business Function .....8  
Table 1.2. 2014-2019 Selected RBB Outputs by Main Business Function .....9  
Table 1.3. 2018 and 2019 Approved Budgets for Administrative, Capital, and OC Strategic Development Programs (Bank Total Composite Cost Adjustment Component of 1.6% for 2019) .....9  
Table 2.1. Areas of Focus for IDB Support in the Medium Term ..... 12  
Table 3.1. 2014-2019 Key RBB Performance Indicators by Operations Main Business Functions ..... 18  
Table 3.2. 2014-2019 Consolidated Key RBB Outputs..... 19  
Table 3.3. 2014-2019 Consolidated Key RBB Performance Indicators by Corporate Main Business Functions .....27  
Table 4.1. 2019 Composite Cost Adjustment Component .....36  
Table 4.2. 2019 Labor Cost Adjustment Component.....37  
Table 4.3. 2019 Non-Labor Cost Adjustment Component .....38  
Table 4.4. 2019 Approved Administrative Budget by Labor and Non-Labor Costs ..... 40  
Table 4.5. 2019 Approved Administrative Budget by Organizational Unit .....42  
Table 4.6. 2019 Approved Administrative Budget by Item of Expense ..... 44  
Table 5.1. 2019 Capital Budget by Project Category – Overview .....46  
Table 6.1. 2019 Approved Funding for Strategic Development Programs Financed by Ordinary Capital (\$ Millions) ..... 50  
Table 7.1. 2019 Sources of Estimated Administrative Income Recorded Directly to the Ordinary Capital .....51  
Table 7.2. 2019 Estimated IDB Invest and Other Reimbursements and Payments to be Received Outside the Administrative Budget.....53

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<sup>1</sup> In some tables, figures and annexes, individual items may not add to totals due to rounding.

## List of Figures<sup>1</sup>

Figure 3.1. Number and Volume (\$ billions) of SG Loan Operation Approvals .....	23
Figure 3.2. Number and Value (\$ billions) of SG Loan Operations in Portfolio in Execution .....	24
Figure 3.3. SG Loan Operation Disbursements (\$ billions) .....	24
Figure 4.1. 2007-2019 Management Budget Real Growth vs. 2007-2018 Average Real Growth .....	34
Figure 5.1. Outcome of the 2019 Project Prioritization Exercise.....	45



## 1. EXECUTIVE SUMMARY

### A. Context of the 2019 Work Program

- 1.1 The approved Administrative Budget envelope for all budget categories totals \$603.4 million for 2019, corresponding to a 0.4% real growth and a 2.0% nominal growth, and a Management Budget of \$560.0 million, corresponding to a zero-percent real growth and a 1.6% nominal growth. The 2019 approved budget considers the progress in achieving the challenges and cross cutting themes of the Update to the Institutional Strategy (UIS), the regional outlook, and the 2019 Long-Term Financial Projections (LTFP) Final Document.
- 1.2 As the Bank heads toward the last year of the UIS 2016-2019, Management formulated the 2019 work program with the aim of continuing to strengthen the alignment between the UIS, Vice-Presidency (VP)-level business plans, and individual work programs at the employee level. This exercise was largely informed by the 2017 Development Effectiveness Overview (DEO) and its analysis of the areas where the Bank can provide focused strategic value-added support over the medium-term to address borrowing member countries' unique development challenges, as well as the status of the Corporate Results Framework (CRF) at the Country Development Results (CDR) and IDB Group Performance Levels. In addition, inputs prepared in the context of the 2020-2023 strategy update by expert working groups were also considered, as well as VP-level inputs stemming from country dialogue and developments at the corporate level.
- 1.3 As it refers to the regional outlook, projections indicate that growth in the region is expected to be 1.2% in 2018, strengthening to 2.2% in 2019<sup>2</sup>, with global growth estimated at 3.7% for both 2018 and 2019, sustaining greater economic activity. Still, there is considerable uncertainty stemming from the on-going process of monetary normalization in the U.S., expected further increases in the U.S. policy interest rate that may impact longer term borrowing rates and capital flows, growth in China that is expected to slow gradually, and European growth perspectives. There is also uncertainty regarding global trading relations and the potential impacts on global growth, particularly for small open economies such as those in Latin America and the Caribbean (LAC). Moreover, a resurgence of the volatility in emerging markets would likely imply lower growth for the region than anticipated.
- 1.4 As described in the 2019 LTFP Final Document ([FN-715-2](#)), 2019 sovereign guaranteed (SG) lending approvals are estimated to reach \$10.5 billion, including \$0.3 billion in concessional resources, and SG disbursements \$9.7 billion, including \$0.3 billion in concessional resources.
- 1.5 Within this strategic and macroeconomic context, and the Bank's current financial position, in addition to its core business activities reflecting Management's continuing efforts to implement the UIS, the 2019 work program includes efforts in a number of areas of growing strategic importance to the advancement of the UIS, its six challenges and cross-cutting themes, and its six Operating Guiding Principles (OGPs). These areas of emphasis include: (i) increasing the Bank's agility; (ii) fostering the adoption of technology and innovation; (iii) promoting inclusion in job markets; (iv) increasing IDB's role as a resource mobilizer; (v) supporting efforts for improving transparency and accountability; (vi) fostering efficiency and optimization in the use of resources; (vii) addressing climate change and environmental sustainability; and (viii) supporting economic integration.

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<sup>2</sup> [IMF World Economic Outlook, October 2018.](#)

## 1.6 Highlights of activities within the 2019 work program include:

- (a) Leveraging the Country Strategy (CS) process and the proposed biennial programming exercise as a platform to pursue a more strategic dialogue in co-financing and resource mobilization with development partners. Furthermore, the Bank will promote the mobilization of additional private capital flows through the activities of the Public-Private Partnership (PPP) team, that leverages IDB Group expertise to provide public-private solutions, to respond to the development needs of borrowing member countries (BMC).
- (b) Replicating or scaling innovations that have proven effective across the entire region such as the use of a Chatbot to answer Executing Agencies and project team members' queries on IDB policies; the programming of new investment projects that use blockchain in labor markets and land registry; the use of drone imaging to help supervise construction projects; and the appointment of innovation focal points or the organization of inter-disciplinary innovation clubs in country offices.
- (c) Implementing the newly approved IDB Group-Civil Society Engagement Strategy, which will help the Bank (i) promote dialogue with an expanded base of stakeholders (e.g. subnational, civil society); (ii) strengthen its civil society engagement to further national development agendas in line with the Bank's country strategies; and (iii) support civil society institutional capacity building to enhance its contribution to the design and implementation of national development agendas.
- (d) Continuing with the implementation of the IDB Group Climate Change Action Plan 2016-2020. The roll-out of the program started in 2017 with an eye towards fully mainstreaming climate change adaptation and mitigation measures in operations, where feasible, as well as mainstreaming an integrated approach to disaster risk management in Bank operations. The Bank will continue consolidating efforts initiated in 2017 with regards to environmental and social safeguards so that (i) each operation in preparation (both category A & B) and execution (category A) includes a team member from the Environmental and Social Safeguards Unit (ESG); and (ii) 50% of Category B operations in execution receive safeguard support.
- (e) Continuing with the implementation of the Gender Policy and its corresponding Gender Action Plan (GAP) 2018-2020, by increasing the percentage of Bank projects that integrate a focus on gender equality or women's economic empowerment in both project design and execution (gender mainstreaming).

1.7 These efforts, designed to ensure the IDB's responsiveness in the region, are accompanied by Management's continued commitment to improve the way it works and deploy resources through budget discipline, cost containment, and increased efficiencies. The budgetary discipline that Management has pursued over the last decade has proven to be effective. The 2007-2018 real growth of the Management Budget category was 0.9%, accompanied by a total of \$202.4 million in cost savings and cost avoidance measures in both the Administrative and Capital budgets.

## **B. Budget Formulation Overview**

1.8 In this budget, Management continues its efforts to strengthen the alignment between the Bank's strategy and resource allocation, a topic of interest expressed by the Board of Executive

Directors (“the Board”) members<sup>3</sup>. Furthermore, during 2018 Management continued to address its commitments that were agreed upon during the 2018 budget discussions, including:

- (a) Strengthening the alignment between the UIS 2016-2019, the CRF, Results-Based Budgeting (RBB), work program priorities, business plans, and individual work programs;
- (b) Developing the conceptual approach for a flexible and efficient workforce management framework ([GN-2606-17](#));
- (c) Proposing a pilot biennial programming framework for SG operations for the period 2019-2020 ([GN-2929](#));
- (d) Adjusting the application of the IDB Composite Cost Adjustment Component (CCAC) methodology to the complementary workforce labor costs ([PP-888](#)); and
- (e) Continuing to improve the alignment between approved and executed budgets, by refining projected spending estimates on staff labor costs, complementary labor costs and non-labor costs.

- 1.9 For 2019, Management is continuing its efforts to minimize differences between the approved and executed budget. In this context, the approved 2019 Management Budget reflects 2019 Labor Costs based on planned levels of staff salaries and consultants’ fees (Defined Term Contractual (DTC), Temporary Term Contractual (TTC), and new consultant modality), including expected consultant remunerations funded with staff vacancy salary funds. When compared to the 2018 approved budget, the 2019 budget reflects, on a net basis, shifts from the Staff Labor Cost (SLC) and Non-Labor Cost (NLC) categories to the Complementary Labor Cost (CLC) category, in line with past years’ budget execution trends. Management has also provided expected Consultant Full-Time Equivalent (FTE) levels for 2019.
- 1.10 In addition to updates already incorporated in previous documents such as the consolidation of the Transactional Budget into a separate category outside of the Vice Presidencies for Countries (VPC) and for Sectors and Knowledge (VPS), Management has furthermore eliminated the adjusted approved budget concept in all tables and references reported to the Board, comparing 2019 approved budget amounts against 2018 approved budget only. During 2019 budget execution, Management will also continue executing the Carryover budget amounts within the Carryover category, rather than transferring them to the respective organizational units, and reporting budget execution amounts against Board approved budget only, and not against revised budget.
- 1.11 Finally, continuing with its commitments, Management is moving forward with the implementation of the pilot biennial sovereign guaranteed programming exercise<sup>4</sup> through (i) the use, if necessary, of a portion of the 2020 Transactional Budget to advance the preparation of 2020 projects during 2019, and (ii) the unspent Transactional Budget from 2019 to be carried over into 2020. In this context, Management is requesting the Board’s consideration and approval through the resolutions included in this document, on the following: (i) approval and authorization for Management to use during 2019 up to \$5.25 million (or approximately 35%) of the 2020 Transactional Budget (Operational Support Budget) for project preparation estimated

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<sup>3</sup> As expressed by several Directors during consideration of the 2016 DEO at the Policy and Evaluation Committee (PEC) on July 24, 2017.

<sup>4</sup> The Biennial Programming Framework was approved by the Board in August 2018.

at \$15.0 million; and (ii) approval to carry over to 2020 any unspent amounts of the 2019 Transactional Budget.

### C. 2019 Approved Budgets for Administrative, Capital and Ordinary Capital (OC) Strategic Development Programs

- 1.12 Since 2011, Management has presented budget proposals consistent with the RBB Framework ([GA-245-12](#)), as mandated by the Ninth General Capital Increase (IDB-9) and approved by the Board in 2010 to improve transparency and accountability of budgetary resource allocations by linking inputs with performance targets, indicators and outputs. The 2019 approved budget is articulated around RBB-based Main Business Functions (MBFs) that reflect the Bank's core production processes. MBFs are also incorporated in the Bank's Systems Application and Products in Data Processing (SAP), time reporting system (Time and Attendance), and the employee annual work program and performance review system (Career Point), aligning the Bank's RBB framework inputs, outputs, and indicators with staff performance.
- 1.13 Table 1.1 below provides an overview of selected RBB performance indicators by MBF, with indicator values achieved for the past 5 years and targets for 2019. Likewise, Table 1.2 below provides an overview of selected RBB outputs by MBF, with output values achieved for the past 5 years and targets for 2019. Further details are provided in Chapter 3 under Table 3.1 and Table 3.2 for operations MBFs and Table 3.3 for corporate MBFs.

**Table 1.1. 2014-2019 Selected RBB Performance Indicators by Main Business Function**

Main Business Functions	Indicator Values					2019 Plan		
	2014	2015	2016	2017	2018	Indicator Estimate <sup>1</sup>	Approved Budget (\$000)	Percent of Budget
<b>Stakeholder Engagement</b>							\$63,046	11.3%
Percentage of partners satisfied with IDB Group development solutions			79%			85%		
<b>Strategy and Programming</b>							\$9,568	1.7%
Percentage of country strategies delivered within the transition period <sup>2</sup>	75%	50%	40%	83%	100%	100%		
<b>Origination</b>							\$2,105	0.4%
<b>Preparation</b>							\$55,639	9.9%
Percentage of SG operations with impact evaluation design	43%	43%	51%	40%	50%	40%		
<b>Supervision</b>							\$95,417	17.0%
Percentage of active operations with satisfactory performance classification	69%	69%	76%	82%		75%		
<b>Knowledge Development</b>							\$39,597	7.1%
Percentage of economic sector work deliverables completed	93%	91%	91%	93%	81%	95%		
<b>Subtotal Operations</b>							<b>\$265,372</b>	<b>47.4%</b>
<b>Corporate Operations Support <sup>3</sup></b>							\$95,943	17.1%
<b>Subtotal Operations and Corporate Operations Support</b>							<b>\$361,315</b>	<b>64.5%</b>
<b>Corporate Non-Operations</b>							<b>\$198,684</b>	<b>35.5%</b>
<b>Total Management Budget</b>							<b>\$559,998</b>	<b>100.0%</b>

**Notes:** SG - Sovereign Guaranteed. Indicators with no values for a given year are not available or not in effect for that period.

<sup>1</sup> Estimates for 2019 are in line with targets of the Corporate Results Framework when applicable.

<sup>2</sup> The plan is to always deliver 100% of country strategies within the transition period. There are internal and external factors during this process which make it difficult to forecast and have direct impact in its achievement.

<sup>3</sup> Includes all corporate activities performed by the operational vice presidencies, including the corporate input products program, as well as costs for country office operations and maintenance, and security.

**Table 1.2. 2014-2019 Selected RBB Outputs by Main Business Function**

	Output Values					
	2014	2015	2016	2017	2018	2019(e)
<b>Operations Main Business Function</b>						
<b>Stakeholder Engagement</b>						
Disbursement amount of client support technical cooperation (in millions of USD)	\$82.5	\$85.3	\$97.6	\$112.2	\$120.0	\$89.4
Number of client support technical cooperation in portfolio	613	661	662	815	883	686
<b>Strategy and Programming</b>						
Number of country strategies delivered to the Board	4	6	5	6	2	5
<b>Preparation</b>						
Approval amount of SG loans (in millions of USD) <sup>1</sup>	\$10,257	\$8,463	\$8,928	\$11,143	\$12,757	\$10,500
<b>Supervision</b>						
Disbursement amount of SG loans (in millions of USD) <sup>1</sup>	\$7,967	\$8,518	\$8,345	\$8,659	\$9,770	\$9,700
Number of SG operations active in portfolio	633	627	608	594	600	610
<b>Knowledge Development</b>						
Number of economic sector work deliverables	349	425	409	445	492	348
<b>Corporate Main Business Functions</b>						
<b>Learning and Collaborative Knowledge Management</b>						
Number of corporate input products deliverables	159	169	177	213	293	191

**Notes:** (e) - estimate, SG - Sovereign Guaranteed. Technical cooperation figures include all funds and operation type TCP for operational vice-presidencies.  
<sup>1</sup> Figures are for Ordinary Capital resources only. 2019 estimates are in line with the Long-term Financial Projections of the Ordinary Capital 2019 Final Document. Revised version (FN-715-2).

1.14 Table 1.3 below provides an overview of the envelopes approved for 2019 for the Administrative, Capital, and OC Strategic Development Programs (OC-SDPs) budgets.

**Table 1.3. 2018 and 2019 Approved Budgets for Administrative, Capital, and OC Strategic Development Programs (Bank Total Composite Cost Adjustment Component of 1.6% for 2019)**

2018 Approved Budget		2019 Approved Budget
<b>Administrative Budget</b> \$591.4M HC: 1,937	\$12.0M Nominal: 2.0% Real: 0.4% HC:+1	<b>Administrative Budget</b> \$603.4M HC: 1,938
<b>BOG, EXD, MEC, OVE &amp; TRI</b> \$40.3M HC: 140	\$1.5M Nominal: 3.7% Real: 2.1% HC:+1	<b>Bank's 60<sup>th</sup> Anniversary</b> \$1.7M
<b>BOG</b> \$4.5M	\$0.9M Nominal: 20.2% Real: 18.6%	<b>BOG, EXD, MEC, OVE &amp; TRI</b> \$41.7M HC: 141
<b>EXD, MEC, OVE &amp; TRI</b> \$35.8M HC: 140	\$0.5M Nominal: 1.6% Real: 0.0% HC:+1	<b>BOG</b> \$5.4M
<b>Management Budget</b> \$551.2M HC: 1,797	\$8.8M Nominal: 1.6% Real: 0.0%	<b>EXD, MEC, OVE &amp; TRI</b> \$36.3M HC: 141
<b>Capital Budget</b> \$50.1M	Run Rate Ceiling: \$58M Run Rate Floor: \$49M	<b>Management Budget</b> \$560.0M HC: 1,797
<b>OC Strategic Development Programs</b> \$107.0M	Unchanged	<b>Capital Budget</b> \$57.1M
		<b>OC Strategic Development Programs</b> \$107.0M

- 1.15 The Total approved Administrative Budget envelope for all budget categories totals \$603.4 million for 2019, corresponding to a 0.4% real budget growth and a 2.0% nominal budget growth. This overall 0.4% real budget growth is driven primarily by a 18.6% real growth in the Board of Governors (BOG) budget category related to the 2019 Annual Meeting in Chengdu, People's Republic of China, and by the one-time expenditure of \$1.7 million for the Bank's 60th Year Anniversary celebrations.
- 1.16 The approved Management Budget for 2019 of \$560.0 million, represents a zero-percent real growth and a nominal growth of 1.6%, using a CCAC of 1.6%. This continues to ensure that the Bank's responsiveness in the region is accompanied by Management's commitment to continue to improve the way it works and deploy resources efficiently in both the corporate and operational areas.
- 1.17 This zero-percent real budget growth equivalent to 1.6% CCAC amounts to \$8.8 million for the Management Budget category to cover expected market-driven increases in Labor Costs and Non-Labor Costs in 2019. This CCAC amount corresponds to the actual dollars the Bank is expected to spend on its specialized Labor and Non-Labor Costs to sustain Bank operating costs in 2019, all else being constant.
- 1.18 As in previous years, Management is using efficiencies within the 2018 Staff Labor Costs resources to fund the 2019 staff promotions as well as reward elements of variable pay and recognition for 2019 during the 2019 budget execution.
- 1.19 Although National SLC and National CLC in local currency are estimated to increase, the change in exchange rates observed at the end of 2018 has resulted in a 2019 budget request for National SLC and CLC that is lower than the 2018 approved budget by \$1.7 million (\$1.1 million for SLC and \$0.6 million for CLC).
- 1.20 Additional resource demands of \$3.4 million beyond the CCAC identified mainly for recurring administrative expenses related to completed capital projects will be funded through internal budget reductions and efficiencies.
- 1.21 The 2019 CCAC computation reflects the specialized cost structure of the Bank and includes, on a weighted average basis, (i) Labor Cost increases (\$6.0 million), calculated based on methodologies that consider the competitive marketplace for both staff and complementary workforce; and (ii) Non-Labor Cost increases (\$2.8 million), driven by the expected U.S. Composite Price Index (CPI) and Latin America regional inflation levels.
- 1.22 The 2019 Capital Budget, as presented in the 2019-2021 Medium-Term Capital Budget Plan ([GA-266-6](#)) and approved by the Board on July 18, 2018, amounts to \$57.1 million.
- 1.23 For 2019, the approved budget for the OC-SDPs remains unchanged at \$107 million. This funding level was put forward given the need to continue: (i) plugging the Technical Cooperation (TC) funding gap, which reached a record high of \$16.4 million in 2018; and, (ii) contributing to the acceleration of economic growth by supporting key sectors such as small, and medium enterprises (SMEs), internal and external labor mobility, and growth through the private sector with an emphasis on gender and climate change, among others.

#### **D. Structure of the Document**

- 1.24 Following this Executive Summary, Chapter 2 of this document presents the strategic context of the 2019 Approved Program and Budget, with a high-level overview of the progress achieved in

2017 in addressing the UIS and the areas of strategic emphasis for the 2019 work program. Chapter 3 offers a Bank-wide consolidated business plan by MBF for 2019, including corresponding key activities and expected deliverables for both operations and corporate MBFs, together with an overview of the respective main inputs, outputs, and performance indicators. Chapter 4 provides detailed information on the approved 2019 Management Budget nominal growth relative to the 2018 approved budget, the 2019 approved Administrative Budget by Labor and Non-Labor Costs, by organizational unit and by major item of expenses. Chapters 5 and 6 contain additional details on the approved Capital Budget and OC-SDPs funding for 2019, respectively. Finally, Chapter 7 presents information on the 2019 estimated administrative income recorded directly to the OC, and estimated reimbursements and payments to be received outside the Administrative Budget from IDB Invest, IDB Lab, and other sources.

- 1.25 Disclosure of the 2019 estimated Bank contributions to the Retirement Plans is provided in Annex A. Under the established process, the results of final year-end actuarial valuations prepared by the Bank's Actuary, as well as the 2019 recommended contributions by the governing committees of the IDB Retirement Plans will be presented to the Board for approval during the fourth quarter of 2019.

## 2. STRATEGIC CONTEXT OF THE 2019 APPROVED PROGRAM AND BUDGET

### A. Progress in Addressing the UIS in 2017 as per the CRF

- 2.1 As discussed in Chapter 5 of the DEO, the majority of CRF indicators at the CDR level are currently on track, with two indicators having already exceeded the expected results for the 2016-2019 period (subnational governments benefited by citizen security projects and beneficiaries of targeted anti-poverty programs). Two indicators are approaching their expected results for the period (households with new or upgraded access to drinking water and Micro, Small, and Medium Enterprises (MSMEs) provided with non-financial support). Four indicators are currently off track or showing only moderate progress with respect to their expected results for 2016-2019 (students benefited by education projects, beneficiaries receiving health services, beneficiaries of improved management and sustainable use of natural capital, and MSMEs financed).
- 2.2 Table 2.1 below summarizes the key challenges from a thematic perspective within each of the six UIS areas, that merit special IDB focus over the medium term and synthesizes the status of related CRF indicators.

**Table 2.1. Areas of Focus for IDB Support in the Medium Term**

UIS STRATEGIC PRIORITY AREA	AREAS OF FOCUS	2017 PROGRESS AS PER CRF
<b>Social Inclusion &amp; Equality</b>	<ul style="list-style-type: none"> <li>-Many countries experienced upticks in poverty</li> <li>-Fragile access to basic services among many</li> <li>-Gains in access to education need to be complemented by improvements in education quality</li> </ul>	<p>More than 400 IDB Group projects in 25 Borrowing Member Countries (BMCs) reporting related CRF results</p> <p><b><u>13 related CRF indicators:</u></b></p> <ul style="list-style-type: none"> <li>-Nine in “achieved” or “on track” status</li> <li>-Two showing “moderate progress”</li> <li>-Two “off track”</li> </ul>
<b>Productivity &amp; Innovation</b>	<ul style="list-style-type: none"> <li>-Region’s innovation track record falls short of its potential</li> <li>-Region’s widening productivity gap relative to advanced economies</li> <li>-Risk of adapting to ongoing technological disruption stemming from: persistently low expenditure in Research and Development (R&amp;D), slow technology absorption among firms, limited coordination among universities, research centers, industry, and other relevant actors, regulatory barriers, low levels of private investment in innovation, widening workforce skills gap</li> </ul>	<p>More than 500 IDB Group projects in all 26 BMCs reporting related CRF results</p> <p><b><u>15 related CRF indicators:</u></b></p> <ul style="list-style-type: none"> <li>-12 in “achieved” or “on track” status</li> <li>-Two showing “moderate progress”</li> <li>-One “off track”</li> </ul>
<b>Economic Integration</b>	<ul style="list-style-type: none"> <li>-Growing backlash against globalization</li> <li>-Need for inserting regional firms into global value chains</li> </ul>	<p>More than 400 IDB Group projects in all 26 BMCs reporting related CRF results</p> <p><b><u>Five related CRF indicators:</u></b></p> <ul style="list-style-type: none"> <li>-All in either “achieved” or “on track” status</li> </ul>

<b>Gender Equality &amp; Diversity</b>	<b>-Women, Afro-descendants, and indigenous peoples continue to face unequal access to opportunities, social exclusion and discrimination</b>	More than 100 IDB Group projects in 21 BMCs reporting related CRF results <b><u>14 related CRF indicators:</u></b> -11 in either “achieved” or “on track” status -One showing “moderate progress” -Two “off track”
<b>Climate Change &amp; Environmental Sustainability</b>	-Greater efforts needed to reduce waste, protect marine environments, and combat climate change	Nearly 100 IDB Group projects in 22 BMCs reporting related CRF results <b><u>Six related CRF indicators:</u></b> -Five in either “achieved” or “on track” status -One showing “moderate progress”
<b>Institutional Capacity &amp; Rule of Law</b>	-Crisis of citizen confidence, corruption scandals in several countries, growing public distrust in government, declining satisfaction with public services -Crime and violence	More than 40 IDB Group projects in 15 BMCs reporting related CRF results <b><u>Four related CRF indicators:</u></b> -Three in either “achieved” or “on track” status -One showing “moderate progress”

## B. Areas of Strategic Emphasis for the 2019 Work Program

- 2.3 The Bank’s 2019 work program has been formulated based on (i) the challenges and cross-cutting themes defined by the UIS 2016-2019; (ii) the main takeaways of the 2017 DEO, including the progress achieved so far in meeting CRF targets; (iii) inputs collected from the three Vice Presidencies (VPC, VPS, and the Vice Presidency for Finance and Administration (VPF)) and Strategic Core (STC) reflecting areas of strategic importance emerging from country dialogue and developments at the corporate level; and (iv) select inputs from expert working groups in the context of the 2020 UIS currently under preparation. Based on this analysis, Management has identified the following eight areas of growing strategic emphasis to address the UIS challenges and cross-cutting themes, as well as to implement its OGPs.
- 2.4 **Increasing the Bank’s Agility.** Several global trends may pose risks for the region: protectionist trade policies, disruptive technological transformations, mass migration, climate change related natural disasters and populations aging at a faster pace. In this highly-dynamic context, the IDB’s ability to be responsive and deliver its program in a timely manner to meet the needs of its borrowing member countries requires the Bank to assume different roles depending on the client, and quickly shift between them as needed. Biennial programming will facilitate this and the Bank’s capacity to accommodate the longer-term and evolving demands arising from the continuous dialogue with borrowing member countries and improve the strategic coordination<sup>5</sup>.

<sup>5</sup> Biennial Programming Framework for Sovereign Guarantee Operations Proposal for a Pilot for the 2019-2020 Period ([GN-2929](#), July 2018)

- 2.5 **Fostering the Adoption of Technology and Innovation.** Economic growth in LAC has recovered in the last years but is lagging other developing countries, particularly on productivity growth. This could lead to setbacks in gains achieved in poverty reduction, equality and social mobility.
- 2.6 The IDB has played an active role in supporting countries' efforts to adopt technology and innovation as engines of productivity growth to prevent any such setbacks and there is more to be done. This includes increasing the number of projects that promote the adoption of technology itself, projects aimed at strengthening the enabling environment to spur innovation<sup>6</sup>, and projects that are strengthened by using technology in the operational program and supervisory activities (e.g. the use of drone imaging in the supervision of construction projects, the use of "chatbots" to answer Executing Agencies' and project team members' questions on IDB policies, and the use of sensors and surveys to provide feedback, to name a few). The Bank also has a more prominent role to play in generating state-of-the-art knowledge on how technology and innovation will impact the region, as well as how public policies can support the region in taking advantage of the opportunities while addressing any potential negative effects.
- 2.7 **Promoting Inclusion in Job Markets.** The IDB is becoming an important partner to assist countries in advancing in the digital age while addressing the negative impacts stemming from technological disruptions and demographic trends such as changing migration patterns, an aging population, and greater risk for chronic non-communicable disease. Technology can propel higher levels of development and increases in the quality of life—particularly given the current growth outlook—but its effects on the labor market are still uncertain. The Bank has a role to play across all sectors in assisting countries' efforts vis-a-vis workforce training, developing approaches to help workers adapt to an ever-changing job market, as well as in supporting policies aimed at dealing with the social protection challenges associated with the labor market transformation, which are essential to improve social inclusion, reduce inequality, and foster diversity.
- 2.8 **Increasing IDB's Role as a Resource Mobilizer.** As is well known, the ambitious 2030 Agenda requires, in addition to engaging partners in developing and implementing development solutions in a coordinated manner, an immense effort to unlock, leverage and catalyze private flows and domestic resources<sup>7</sup> towards these goals. While efforts have been developed at the IDB in close coordination with IDB Invest and IDB Lab to increase resource mobilization, there is a long road ahead in continuing the development of tools and mechanisms to ramp up IDB's mobilization efforts. The Bank must leverage its knowledge, proximity to the region, and expertise to promote the mobilization of additional private capital flows on several fronts, which may include the use of new instruments, the development of public-private solutions, and the

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<sup>6</sup> For example, "Aula sin paredes" in Brazil expands access to education using a bi-directional camera to enable the interaction between remote students and local teachers as well as access to personalized materials. And in Mesoamerica, the eTAB system based on open code facilitates access to information (e.g. medical databases) to improve the provision of health services and monitor service coverage.

<sup>7</sup> The Sustainable Development Goal (SDG) financing gap is estimated at US\$2.5 trillion per year over the next decade, compared to annual Multilateral Development Bank (MDB) financing of around US\$130 billion. The annual SDG funding gap in LAC is US\$650 billion, of which US\$300 billion is for infrastructure. The G20 has acknowledged the importance of crowding-in private financing to meet development needs and has mandated that MDBs scale up efforts to mobilize both domestic and external private financing. Meanwhile, MDBs have been engaging in various working groups to agree on common frameworks that would enable them to work more as a system. These are key inputs to adapt MDBs' business models and evolve from being not only lenders but also mobilizers, aligning internal incentives with shareholder mandates.

use of the CS and programming exercises as a platform to harmonize, coordinate and mobilize resources from other development partners in the region.

- 2.9 **Supporting Efforts for Improving Transparency and Accountability.** Corruption is threatening to erode the foundations of much of the region's economic well-being, political stability and rule of law, and opportunities exist for the Bank to assist countries to overcome the existing crisis of confidence among citizens<sup>8</sup>. The Bank needs to strengthen its role in crafting and delivering concrete solutions and ideas to address the public's need for transparency and accountability while also working in longer term reforms to improve the ability of public institutions to respond to citizens' needs<sup>9</sup>.
- 2.10 **Fostering Efficiency and Optimization in the Use of Resources.** Accountability for results and efficient management of resources is at the heart of sound management and leadership practices. In line with the UIS, Management will ensure the efficient use of resources—both human and financial—for enhanced effectiveness. Continuous improvement, process redesign and re-engineering, use of analytics, focus on learning, and the use of state-of-the-art tools should help the Bank foster efficiency while enhancing its development effectiveness with its clients. Internally, the Bank will also foster the use of technology and encourage innovation to improve the way it works.
- 2.11 **Addressing Climate Change & Environmental Sustainability.** Climate change is a cross-cutting challenge to development outcomes. The countries of Latin America and the Caribbean are highly vulnerable to the effects of climate change— greater risk of natural disasters and physical damage as well as losses that are concentrated among the most vulnerable populations, the poor and indigenous. The effects of climate change create a vicious cycle; losses in biodiversity and physical and environmental damage also threaten the achievement of poverty reduction and equality objectives. The Bank's work on Climate Change and Environmental Sustainability aim to support its borrowing member countries in meeting their goals as expressed in the COP21 agreement, as well as reducing the likelihood of losses due to a natural disaster. These contributions include streamlining climate change considerations into the Bank's products, building an effective set of interventions to meet the Bank's goal of investing in climate change, supporting countries in managing the risks associated with natural disasters, and leveraging both internal knowledge and that emerging from other countries and regions.
- 2.12 **Supporting Economic Integration.** Regional integration can help LAC overcome the disadvantages of small-sized markets and increase scale by forming value chains and engaging in production-sharing schemes. It also supports the generation of regional public goods that facilitate the movement of factors of production, address potential distribution issues and solve disputes. Leveraging South-South and Triangular cooperation, the exchange of knowledge and best practices with other regions can lead to effective solutions for LAC. Additionally, cooperation can help harmonize regulations, which in a context of financial integration can help improve resilience of local markets to exogenous shocks, reduce the cost of capital and mobilize

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<sup>8</sup> Expert Advisory Group on Corruption, Transparency and Integrity in Latin America and the Caribbean. Draft document ([SC-514](#)).

<sup>9</sup> For example, the MapaInversiones initiative allows governments to provide citizens with immediate information about public investments that is open, online, and available to different users in an intuitive format and the Operations Financial Management and Procurement Services Office (FMP) is exploring new approaches within procurement to facilitate the procurement of solutions that are non-conventional and subject to rapid technological change. These types of interventions for example have a very low cost/benefit ratio. Expanding on these and developing and promoting other types of actions is key to the Bank's work in the upcoming years.

resources for natural disaster risk management. The Bank aims to identify and deploy new instruments that can support regional solutions to development challenges, aiming to leverage knowledge within LAC and beyond in an efficient and effective manner.

### **3. 2019 MAIN BUSINESS FUNCTIONS AND RESULTS BASED BUDGETING (RBB) PERFORMANCE INDICATORS**

- 3.1 As the backbone of the RBB framework, MBFs facilitate Management's formulation, execution, and evaluation of the budget across operations and corporate functions. In this sense, MBFs represent the core production function of each unit of the Bank and link their inputs and outputs<sup>10</sup>.
- 3.2 This Chapter provides a Bank-wide consolidated business plan by MBF for 2019, including corresponding key activities and expected deliverables for both operations and corporate MBFs, along with an overview of the respective main inputs, outputs, and performance indicators.
- 3.3 Included under each MBF are selected activities planned for 2019, the extent to which they will contribute to addressing the business priorities identified by Management for 2019, and the RBB indicators that will be used to measure results. More detailed information on the 2019 Business Plans and RBB Performance Indicators consolidated by VP and STC can be found on the Office of the Secretary (SEC) website ([Business Plans](#)). The description of each MBF can be found in Annex C.

#### **A. Operations Main Business Functions**

- 3.4 Table 3.1 below provides an overview of the 2014-2019 key RBB performance indicators by Operations Main Business Functions (mostly structured along the operational business flow) and Table 3.2 provides an overview of the 2014-2019 consolidated key RBB outputs.
- 3.5 As indicated in Table 3.1, 64.5% or \$361.3 million of Management Budget is allocated to support the operational business activities of the Bank:
  - (a) 17.0% of Management Budget or \$95.4 million is allocated to support the supervision of operations with a projected level of 610 operations in the portfolio and \$9.7 billion in disbursements of SG loan operations from the OC;
  - (b) 9.9% or \$55.6 million is allocated to support the preparation of new SG loan operations with a projected level of \$10.5 billion from the OC;
  - (c) 11.3% or \$63.0 million in stakeholder engagement to support the Bank's strategic outreach and cooperation with stakeholders, partners and donors; and
  - (d) 7.1% or \$39.6 million in knowledge development to support the generation of institutional capacity related to country and sector knowledge across the Bank, amongst others.

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<sup>10</sup> Strategic Actions to Strengthen Results-Based Budgeting Implementation: Action Plan 2014-2016 ([GA-245-23](#)).

Table 3.1. 2014-2019 Key RBB Performance Indicators by Operations Main Business Functions

Operations Main Business Functions	Indicator Values					Indicator Estimate <sup>1</sup>	2019 Plan	
	2014	2015	2016	2017	2018		Operations Approved Budget (\$'000)	Operations Approved Budget as a % of Total Mgmt. Budget
<b>Stakeholder Engagement</b>							\$63,046	11.3%
<b>Stakeholder Dialogue</b>							\$43,882	7.8%
Percentage of partners satisfied with IDB Group development solutions			79%			85%		
Percentage of repeat partners	56%	65%	54%	65%	63%	60%		
<b>Client Support Technical Cooperations</b>							\$15,605	2.8%
<b>Resource Management of Donor Trust Funds and Ordinary Capital Strategic Development Programs</b>							\$3,560	0.6%
<b>Strategy and Programming</b>							\$9,568	1.7%
<b>Country Strategies</b>							\$3,454	0.6%
Percentage of country strategies delivered within the transition period <sup>2</sup>	75%	50%	40%	83%	100%	100%		
<b>Country and Regional Programming</b>							\$5,984	1.1%
<b>Development Effectiveness in Strategy and Programming</b>							\$130	0.0%
<b>Origination</b>							\$2,105	0.4%
<b>Business Development</b>							\$2,105	0.4%
<b>Preparation</b>							\$55,639	9.9%
<b>Preparation of Public Sector Operations</b>							\$52,858	9.4%
Percentage of SG operations with impact evaluation design	43%	43%	51%	40%	50%	40%		
<b>Preparation of Operational Support Technical Cooperations</b>							\$1,190	0.2%
Percentage of amount approved from Ordinary Capital Strategic Development Programs for technical cooperations <sup>3</sup>	74%	72%	76%	86%	82%	69%		
<b>Others <sup>4</sup></b>							\$1,590	0.3%
<b>Supervision</b>							\$95,417	17.0%
<b>Supervision of Public Sector Operations</b>							\$72,055	12.9%
Percentage of active operations with satisfactory performance classification	69%	69%	76%	82%		75%		
Percentage of operations with high environmental and social risks rated satisfactory in the implementation of mitigation measures	88%	89%	82%	80%	81%	90%		
<b>Portfolio Management</b>							\$12,700	2.3%
<b>Supervision of Operational Support Technical Cooperations</b>							\$4,558	0.8%
<b>Fiduciary Country Systems</b>							\$2,057	0.4%
Percentage of SG loan operations using fiduciary country systems to manage operations financed by the IDB		36%	41%	41%	43%	43%		
<b>Others <sup>4</sup></b>							\$4,047	0.7%
<b>Knowledge Development</b>							\$39,597	7.1%
<b>Sector Knowledge</b>							\$30,017	5.4%
Percentage of economic sector work deliverables completed	93%	91%	91%	93%	81%	95%		
<b>Country Knowledge</b>							\$9,579	1.7%
<b>Subtotal Operations</b>							\$265,372	47.4%
<b>Corporate Operations Support <sup>5</sup></b>							\$95,943	17.1%
<b>Total Operations and Corporate Operations Support</b>							\$361,315	64.5%

**Notes:** (e) - estimate, SG - Sovereign Guaranteed. Indicators with no values for a given year are not available or not in effect for that period.

<sup>1</sup> Estimates for 2019 are in line with targets of the Corporate Results Framework when applicable.

<sup>2</sup> The plan is to always deliver 100% of country strategies within the transition period. There are internal and external factors during this process which make it difficult to forecast and have direct impact in its achievement.

<sup>3</sup> Values shown correspond to VPS only.

<sup>4</sup> Includes private sector operations and investment grants.

<sup>5</sup> Includes all corporate activities performed by the operational vice presidencies, including the corporate input products program, as well as costs for country office operations and maintenance, and security.

**Table 3.2. 2014-2019 Consolidated Key RBB Outputs**

	Output Values					
	2014	2015	2016	2017	2018	2019(e)
<b>Operations Main Business Functions</b>						
<b>Stakeholder Engagement</b>						
Approval amount of client support technical cooperation (in millions of USD)	\$103.7	\$98.1	\$104.8	\$120.6	\$106.0	\$102.5
Number of client support technical cooperation approvals	234	245	215	230	247	208
Disbursement amount of client support technical cooperation (in millions of USD)	\$82.5	\$85.3	\$97.6	\$112.2	\$120.0	\$89.4
Number of client support technical cooperation in portfolio	613	661	662	815	883	686
<b>Strategy and Programming</b>						
Number of country strategies delivered to the Board	4	6	5	6	2	5
Number of country programming documents delivered to the Board	26	26	26	26	26	26
<b>Preparation</b>						
Approval amount of SG loans (in millions of USD) <sup>1</sup>	\$10,257	\$8,463	\$8,928	\$11,143	\$12,757	\$10,500
Number of SG loan approvals	105	83	86	90	96	100
Approval amount of operational support technical cooperation (in millions of USD)	\$26.5	\$25.2	\$18.9	\$33.5	\$51.4	\$24.6
Number of operational support technical cooperation approvals	59	61	58	82	96	59
<b>Supervision</b>						
Disbursement amount of SG loans (in millions of USD) <sup>1</sup>	\$7,967	\$8,518	\$8,345	\$8,659	\$9,770	\$9,700
Number of SG operations active in portfolio	633	627	608	594	600	610
Number of country portfolio reviews	26	27	32	43	47	52
Disbursement amount of operational support technical cooperation (in millions of USD)	\$35.9	\$30.4	\$27.4	\$36.6	\$30.1	\$33.7
Number of operational support technical cooperation in portfolio	232	206	191	253	284	241
<b>Knowledge Development</b>						
Number of economic sector work deliverables	349	425	409	445	492	348
Approval amount of research & dissemination technical cooperation (in millions of USD)	\$53.7	\$51.0	\$38.7	\$40.7	\$52.7	\$52.3
Number of research & dissemination technical cooperation approvals	78	79	82	85	95	85
Disbursement amount of research & dissemination technical cooperation (in millions of USD)	\$50.4	\$50.5	\$42.0	\$48.6	\$51.7	\$44.2
Number of research & dissemination technical cooperation in portfolio	294	289	280	362	405	297
<b>Corporate Main Business Functions</b>						
<b>Learning and Collaborative Knowledge Management</b>						
Number of corporate input products deliverables	159	169	177	213	293	191

**Notes:** (e) - estimate, SG - Sovereign Guaranteed. Technical cooperation figures include all funds and operation type TCP for operational vice-presidencies.  
<sup>1</sup> Figures are for Ordinary Capital resources only. 2019 estimates are in line with the Long-term Financial Projections of the Ordinary Capital 2019 Final Document. Revised version (FN-715-2).

## 1. Stakeholder Engagement (includes Stakeholder Dialogue, Client Support TCs, and Resource Management of Donor Trust Funds and OC SDPs)

3.6 For 2019, the Bank will continue to focus on knowledge sharing and collaboration, fostering regional integration, IDB Group public-private synergies, multi-sectoriality and the adoption of technology and innovation. To achieve this, the Bank will:

- (a) Facilitate the dialogue between Southern Cone Common Market (Mercosur) and the Pacific Alliance, promote and implement regional mechanisms and initiatives (i.e., Mesoamerica, Central American integration system, the Plan of the Alliance for Prosperity of the Northern Triangle, among others);
- (b) Support the institutional response in the management of regional migrations;
- (c) Increase the use of new instruments and offer a wider portfolio of services to support borrowers' growth that require less fiscal space than traditional ones and involve the participation of IDB Invest and IDB Lab;
- (d) Identify co-financing opportunities that could be leveraged in countries where the demand for financial resources exceeds the Bank's lending capacity and explore a

new fiduciary approach to donor and co-financing agreements to reduce transactional costs;

- (e) Ramp up the activities of the Public-Private Focal Point since PPP project preparation and technical assistance are key for leveraging private investment in infrastructure and the utilization of credit enhancement mechanisms increasing IDB's role as resource mobilizer to unlock and catalyze private flows and domestic resources to bridge the region's infrastructure gap;
  - (f) Implement the IDB Group Civil Society Engagement Strategy and its Action Plan approved in 2018 and strengthen capacity in the 26 countries through the current Civil Society Institutional Capacity program by adding two new trainings on climate change and citizen engagement; and
  - (g) Continue fostering engagement with civil society through regular regional fora, such as the IDB Group Civil Society Caribbean Forum and the Civil Society Regional Forum.
- 3.7 Client Support TCs are originated and requested by borrowing member countries to provide (i) the capacity to offer a quick response to a client need, such as intraregional cooperation; (ii) medium or long-term assistance for policy development and sector knowledge, outreach and dissemination, capacity building and training, and community development projects<sup>11</sup>. In 2019 the operational Vice Presidencies will prepare approximately 208 Client Support TCs and supervise 686.
- 3.8 The Knowledge, Innovation and Communication Sector (KIC) will continue to support IDB Group's efforts to strengthen its communication capabilities at all levels and the capacity to learn and disseminate what it has learned, through the development of messages and editorial strategies to guide the content of IDB Group corporate communications channels. It will also intensify its use of social media channels and analytical tools to gather data and trends to promote knowledge products by carrying out content marketing campaigns highlighting sector topics and best practices. Additionally, it will monitor country-level developments that affect IDB's reputation, managing crisis communications, carrying out external surveys among clients and stakeholders and leading the implementation of the IDB Client Relationship Management platform (CRM). On the Innovation vertical, KIC will focus its efforts and resources to promote innovation amongst IDB teams. Activities to be financed fall under the following three pillars: (i) raising awareness; (ii) capacity building; and (iii) products development.
- 3.9 The Office of Outreach and Partnerships (ORP) will continue working closely with IDB operations units and IDB Invest to support IDB Group response to the evolving landscape of resource mobilization toward implementing the Sustainable Development Goals (SDGs). ORP will focus on:
- (a) Intensifying mobilization from traditional sources, bilateral/multilateral finance and philanthropic actors to increase co-financing and third-party funds for SG and Non-Sovereign Guaranteed (NSG) operations through loans, concessional/non-concessional financing, guarantees, funds, and performance-based vehicles such as Blue Carbon Fund, Algo-Forest Fund, Natural Capital Lab and Caribbean Climate Smart Facility;

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<sup>11</sup> Operational Guidelines for Technical Cooperation Products. Revised version ([GN-2629-1](#))

- (b) Supporting IDB Group to channel private capital for development (crowding of private capital) by engaging institutional investors to participate in co-investments through IDB Invest's A/B Loan Program (an innovative financing structure), Cofinancing Fund with first-loss guarantee, other funds, de-risking and blended tools, and advisory services;
  - (c) Supporting IDB Group to capitalize domestic resources;
  - (d) Providing guidance and training to help both internal and external actors better understand resource mobilization; and
  - (e) Further strengthening the management, oversight, and reporting on the use of resources under administration as well as securing TC resources through its annual OC-SDP allocation request.
- 3.10 Lastly, the Office of Strategic Planning and Development Effectiveness (SPD) will continue leading the engagement of the IDB Group with other Multilateral Development Banks (MDB) and Development Finance Institutions (DFIs) as well as its participation in global governance fora on several fronts.

## **2. Strategy and Programming (includes Country Strategies, Country and Regional Programming)**

- 3.11 Global trends indicate the world is undergoing rapid and radical transformations, much of it driven by technology. As such, the 2019-2020 country programs will require innovation, creativity, and responsiveness to clients' needs in the current macro-economic context and the new biennial programming framework. Based on the 2019 LTFP<sup>12</sup> Final document, SG non-concessional lending approvals could reach an order of magnitude of \$20.4 billion over the 2019-2020 period, and the SG concessional lending envelope a maximum of \$0.7 billion. To achieve these goals, the Bank will:
- (a) Implement the first biennial programming exercise over the 2019-2020 period to provide increased flexibility to borrowers for a more effective planning of their financing decisions and a strategic medium-term engagement with the Bank;
  - (b) Provide the analytical products that inform the strategic dialogue with the countries and diagnose the key development challenges that hinder inclusive and sustainable growth;
  - (c) Harmonize, coordinate and mobilize resources from other development partners in the region using the CS and programming exercises as platforms and focusing on keeping IDB Group's relevance in middle-income borrowing countries;
  - (d) Lead the IDB Group strategic and operational dialogue with countries;
  - (e) Improve synergies between the public and private sector windows of the IDB Group for project identification and programming;

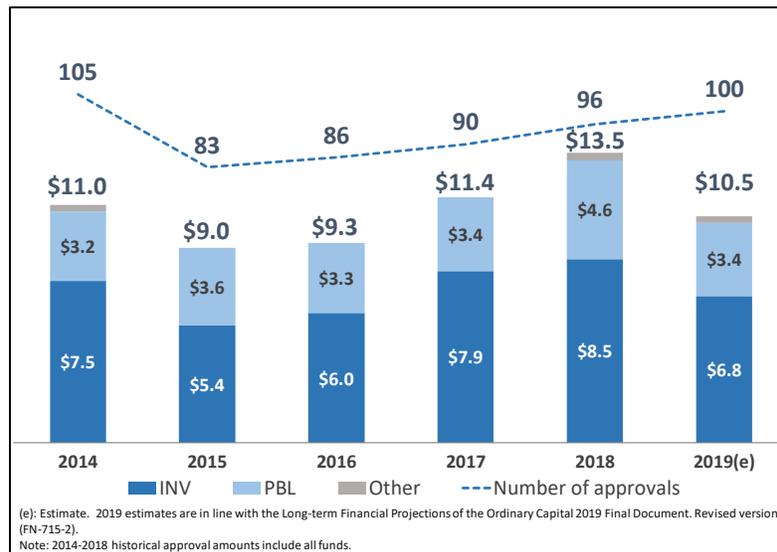
<sup>12</sup> Long-term Financial Projections 2019 Final Document. Revised version ([FN-715-2](#)).

- (f) Ensure that programming dialogue and tools, including resource mobilization, allow to respond to emerging needs from regional migrations; and
  - (g) Ensure the implementation of the operational program.
- 3.12 For 2019, Management expects to submit five CSs to the Board for approval with the corresponding PPP Country Profiles. In the first quarter, VPC will prepare and present to the Board the 2019 Operational Program Report (OPR) and Country Programming Documents (CPDs) for the 26 borrowing member countries. With regards to concessional lending, as required by the Board of Governors, VPC will prepare and submit to the Board the Review of the Implementation of the Debt Sustainability Framework and Enhanced Performance-Based Allocation system (DSF/EPBA) for the 2017-2018 period. In addition to the usual reporting analysis, this Review will assess the implications for IDB's DSF/EPBA of the significant changes to the Debt Sustainability Framework for Low-Income Countries that was approved by the Executive Boards of the World Bank and International Monetary Fund in late 2017.
- 3.13 The Bank's Economic and Sector Work Products (ESW) program aims to address the region's challenges by including knowledge products that foster social inclusion and equality, productivity and innovation, economic integration, as well as knowledge work for gender equality and diversity, climate change sustainability and institutional capacity.
- 3.14 In addition, technical sector inputs will be provided to CSs and CPDs, according to the new CS guidelines. Furthermore, five Sector Framework Documents (SFDs) will be prepared following the new structure approved by the Board in September 2018 (Extractive Sector (new SFD), Early Childhood Development (new SFD), Agriculture, Integration and Trade, and Transparency and Integrity (new SFD)).

### **3. Preparation (Includes Preparation of Public Sector Operations, Participation in Private Sector Operations, Operational Support TCs, and Investment Grants)**

- 3.15 The implementation of the 2019-2020 biennial programming cycle is expected to: (i) provide increased flexibility to BMCs for a more effective planning of their financing decisions; (ii) allow a strategic medium-term engagement with the Bank; (iii) improve the project preparation process by smoothing the preparation cycle; and (iv) pursue a more strategic dialogue in co-financing and resource mobilization with development partners. Some challenges are anticipated with regards to the alignment with country historical practices: though multiyear planning is incorporated in most BMCs countries' National Development Plans and multiyear investment plans, financial programming is still carried out on an annual basis, in parallel with budget preparation. It is expected that the 2019-2020 programming pilot will bring valuable lessons to be considered for future programming cycles.
- 3.16 According to the 2019 LTFP Final document, the 2019 SG operational work program will include \$10.5 billion in loan approvals from the OC, including concessional lending of \$0.3 billion. Figure 3.1 below shows the number and volume of SG loan approvals for the period 2014-2018 and estimates for 2019.

**Figure 3.1. Number and Volume (\$ billions) of SG Loan Operation Approvals**



- 3.17 Approximately 40% of the SG operational work program for 2019 will include an impact evaluation design. This is expected to be achieved by designing innovative lending projects and by putting special emphasis on reaching the IDB Strategic Goals, the region's challenges and cross cutting issues such as Gender Equality and Diversity, Climate Change and Environmental Sustainability, and Strengthening Institutional Capacity and the Rule of Law, as well as the eight areas of strategic emphasis for 2019.
- 3.18 Operational Support (OS) TCs contribute to the preparation, execution or evaluation of a loan or guarantee; they mainly originate in response to a client request to support the design or execution of a loan or guarantee<sup>13</sup>. In 2019 the operational VPs will prepare approximately 59 OS TCs and supervise 241.
- 3.19 Specific efforts in this MBF include:
- Preparing more focused projects with fewer objectives and actors, simpler and more realistic execution schemes;
  - Using rigorous institutional capacity analysis;
  - Developing evaluable projects that include mitigation risk factors in the preparation process, strong economic analysis and ex-post evaluations;
  - Enhancing information sharing activities (both internal and external) on lessons learned that can inform other IDB Group financed operations;
  - Promoting operations with multidisciplinary team compositions; and
  - Continuing and strengthening the efforts to support the SDGs and the commitments of the Paris Agreement.

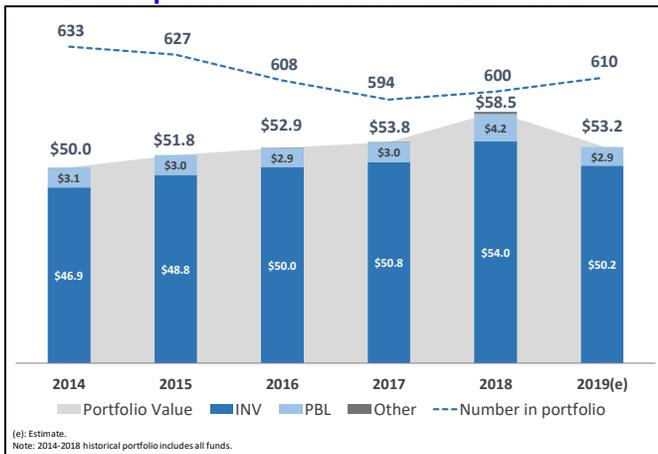
<sup>13</sup> Operational Guidelines for Technical Cooperation Products. Revised version ([GN-2629-1](#))

3.20 The Bank will prepare 52 draft macroeconomic analyses (IAMCs) to provide the framework for the operational program. The Department of Research and Chief Economist (RES)'s work on the IAMCs is a valuable instrument to strengthen the safeguards against lending under unsustainable conditions and has allowed the Bank to streamline the processes of implementing macroeconomic safeguards. The IAMCs will continue to be used as a valuable instrument to strengthen the macroeconomic safeguards. In addition, ESG will continue to evaluate and promote the effective environmental and social management of the Bank's projects. At the preparation stage, ESG will screen all projects entering the pipeline, identifying the levels of impacts and risks.

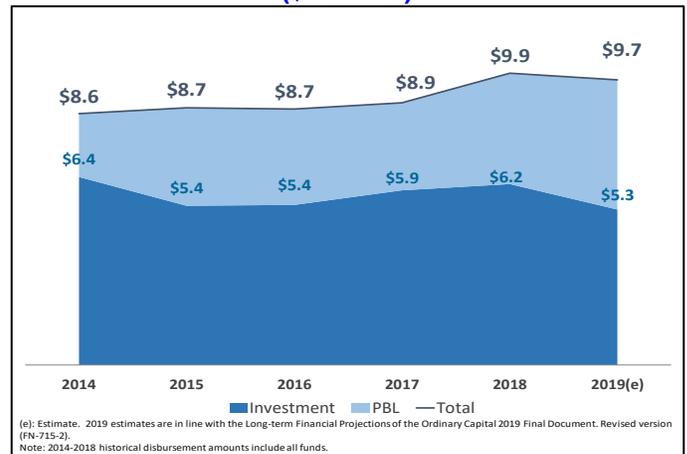
**4. Supervision (Includes Supervision of Public Sector Operations, Participation in Private Sector Operations, Operational Support TCs, Investment Grants, Portfolio Management, and Fiduciary Country Systems)**

3.21 The Bank will supervise a projected active portfolio of approximately 610 SG operations, which will result in disbursements of roughly \$5.3 billion in investment loans, \$4.1 billion in policy-based loans, and \$0.3 billion in concessional resources, for a total of \$9.7 billion. Figure 3.2 below shows the number and value of SG loans in portfolio in execution during 2014-2018 and estimates for 2019, while Figure 3.3 below illustrates the SG loan disbursements for the same period.

**Figure 3.2. Number and Value (\$ billions) of SG Loan Operations in Portfolio in Execution**



**Figure 3.3. SG Loan Operation Disbursements (\$ billions)**



3.22 The Bank will continue to focus on efficiency, effectiveness and innovative solutions to improve the performance of the Bank's active portfolio through constant monitoring and proactive corrective actions. For 2019, supervision activities include:

- (a) Improvements to the portfolio supervision model by including the development of a new multi-sectoral portfolio review approach and increasing the quality of country and regional-sectoral portfolio reviews;
- (b) The use of business and artificial intelligence and analytics tools such as dashboards, chatbots to assist executing agencies, machine learning algorithms, automated Bank disbursement processes, drone imaging to monitor and make more informed decisions, and digital transformation of public procurement systems;

- (c) The establishment and improvement of project readiness benchmarks in close collaboration with the Bank's technical teams as well as continuing efforts in project completion reports to capture findings and recommendations for future operations;
- (d) The design and implementation of project execution mechanisms that are in line with executing agency capabilities and country realities and that have the potential to speed up execution, such as the introduction of delivery units in some countries;
- (e) The update of the Strategy for the Strengthening and Use of Country Systems to be presented for Board approval, and the assessment of the expansion of the Procurement Suite to facilitate complex procurement and the acquisition of innovation products and services;
- (f) The strengthening of the capacity of project teams to supervise projects while collaborating with Country Office teams to improve dialogue with the clients and strengthen project management capacities of executing agencies; and
- (g) Permanent monitoring of the 2019 disbursement cycle in order to improve accuracy of investment loan projections.

- 3.23 By the end of 2019, the Bank expects to have 75% of its portfolio of loans in satisfactory status. Efforts will continue to capitalize on periodic reviews of the portfolio and use of internal monitoring tools (improved dashboard functionalities) to reduce the number of operations under "alert" and with a "problem" status.
- 3.24 In addition, ESG will continue supporting project teams to ensure adherence to the Bank's safeguards policies during execution, and that key risks and mitigating actions are timely addressed.

## 5. Knowledge Development (Includes Sector and Country Knowledge)

- 3.25 The Bank has a fundamental part to play in the circulation of knowledge about the region's development, as a facilitator or intermediary promoting flows of knowledge relevant to the region, including knowledge originating inside the Bank based on its experience with operations and its analytical work, and knowledge from external sources (academia, research centers, professional associations, other multilateral organizations, governments, the private sector, etc.). The Bank then plays a role of intermediary, mobilizer, and disseminator at the service of the countries so they can leverage all of this knowledge.
- 3.26 The Bank will work on 84 ESWs ([ESWs list](#)) that will produce nearly 348 deliverables, which will include publications, databases, conferences and dissemination activities. Sector themes of these ESWs include energy, fiscal management, integration, education, labor markets, climate change, and institutional capacity, among others.
- 3.27 Research and Dissemination (R&D) TCs are stand-alone products and activities aimed at deepening the Bank's or clients' knowledge or capacity on a given topic, or to draw on knowledge that is readily available, including outreach and dissemination activities originating at the Bank. They are key to support the countries and clients and ultimately serve operational purposes as they support an understanding of key sectors and the development challenges and gaps faced by each country. As such, they inform the policy dialogue and programming process with countries, as well as with the private sector, and ultimately help focus the Bank's strategic

framework with a country, and in a given sector<sup>14</sup>. In 2019 the operational VPs expect to prepare 85 R&D TCs and supervise 297.

- 3.28 As in the past, the Bank will continue supporting the Regional Policy Dialogue through its 18 networks, addressing its main areas of work. Activities include seminars and events, with the participation of high-level authorities from all countries in the region.
- 3.29 Lastly, the Micro, Small and Medium Enterprise Unit will organize the Foro Interamericano sobre la Microempresa (FOROMIC) 2019, which is scheduled to take place in the Dominican Republic. The scope and topics of this event will be determined based on the discussions among the different IDB Group departments regarding the innovation events to take place in 2019.

## **B. Corporate Main Business Functions**

- 3.30 Table 3.3 below provides an overview of the 2014-2019 key RBB performance indicators by Corporate MBFs. As indicated in this table, 35.5% or \$198.7 million of Management Budget is allocated to support the non-operations corporate business priorities of the Bank:
- (a) 1.4% or \$8.0 million is allocated to learning and collaborative knowledge management to respond to the Bank's needs;
  - (b) 25.2% or \$141.2 million is allocated to corporate services delivered across the Bank that encompass the efficient use of human and financial resources, and the effective provisioning of services to support the Bank's operational program;
  - (c) 7.8% or \$43.8 million is allocated to support corporate governance; and
  - (d) 1.0% or \$5.7 million is allocated to support the management of capital improvements.

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<sup>14</sup> Operational Guidelines for Technical Cooperation Products. Revised version ([GN-2629-1](#))

**Table 3.3. 2014-2019 Consolidated Key RBB Performance Indicators by Corporate Main Business Functions**

Main Business Functions	Indicator Values					Indicator Estimate	2019 Plan			
	2014	2015	2016	2017	2018		Operations Support <sup>1</sup> (\$000)	Non-Operations (\$000)	Approved Corporate Budget (\$000)	Non-Operations as a % of Total Mgmt. Budget
<b>Learning and Collaborative Knowledge Management</b>							\$43,065	\$8,020	\$51,085	1.4%
<b>Staff and Regional Training</b>							\$23,621	\$3,417	\$27,038	0.6%
Average number of training hours per person	72	70	62	77	77	70				
<b>Knowledge Dissemination</b>							\$10,611	\$1,039	\$11,650	0.2%
Percentage of corporate input products deliverables completed	94%	91%	93%	79%	82%	93%				
<b>Internal Knowledge Sharing</b>							\$4,093	\$3,438	\$7,531	0.6%
<b>Management of Knowledge Products</b>							\$4,739	\$127	\$4,866	0.0%
<b>Corporate Services</b>							\$38,439	\$141,211	\$179,650	25.2%
<b>Administrative Services</b>							\$20,322	\$33,993	\$54,315	6.1%
Facilities management cost per square meter at headquarters		\$102	\$95	\$96	\$98	\$98				
<b>Information Technology Services</b>							\$1,681	\$44,582	\$46,263	8.0%
Percentage of 2016-2020 Information Technology Strategy implementation indicators at or above target				96%	97%	80%				
<b>Human Resources Management</b>							\$11,332	\$26,519	\$37,850	4.7%
Participant satisfaction rating with the delivery of Leadership and Employee Development (L&ED) Programs			4.5	4.5	4.5	4.5				
Percentage of clients satisfied or very satisfied with mediation services	94%	88%	85%	93%	91%	80%				
<b>Financial Services</b>							\$1,108	\$17,121	\$18,229	3.1%
Percentage of borrowing program executed	127%	105%	100%	108%	100%	100%				
<b>Budgeting Services</b>							\$3,870	\$5,347	\$9,217	1.0%
Percentage of client satisfaction with budgeting services	82%	58%	72%	83%	83%	70%				
<b>Secretariat Services</b>							\$121	\$7,650	\$7,771	1.4%
Percentage of client satisfaction with SEC services provided to the Board of Directors		96%	97%	97%	94%	85%				
<b>Legal Services</b>							\$4	\$5,873	\$5,877	1.0%
Number of FTEs providing legal support to operations <sup>2</sup>						22.4				
<b>Pensions Plan Management and Administration</b>							\$1	\$127	\$127	0.0%
<b>Corporate Governance</b>							\$12,082	\$43,773	\$55,855	7.8%
<b>Strategic Governance, Risk and Control</b>							\$1,966	\$27,819	\$29,785	5.0%
Percentage of action plans prepared and submitted to OVE within the established timeframe <sup>2</sup>						85%				
Percentage of AUG audits completed <sup>3</sup>	100%	100%	77%	69%	72%	88%				
Percentage of OII cases in which the final decision results in sanction (including NRAs)	95%	96%	94%	89%	88%	80%				
Percentage of investment portfolio risks managed consistent with the Board risk appetite to ensure adequate liquidity for the Bank				100%	100%	100%				
Percentage of ethics consultations answered within 10 business days		100%	100%	98%	92%	80%				
<b>Corporate Management</b>							\$8,601	\$14,970	\$23,572	2.7%
<b>Policies, Guidelines, Reports and Advice</b>							\$849	\$984	\$1,833	0.2%
<b>Process Improvement</b>							\$666	\$666	\$666	
<b>Capital Improvements Management</b>							\$2,357	\$5,679	\$8,036	1.0%
<b>Delivery of Technology Solutions</b>							\$2,336	\$5,305	\$7,641	0.9%
<b>Facilities Improvement, Replacement and Operations</b>							\$21	\$374	\$395	0.1%
<b>Total Corporate</b>							\$95,943	\$198,684	\$294,626	35.5%

Notes: (e) - estimate, SEC - Office of the Secretary, SPD - Office of Strategic Planning and Development Effectiveness, OII - Office of Institutional Integrity, AUG - Office of the Executive Auditor, NRA - Negotiated Resolution Agreements, FTE - Full-time equivalent. Indicators with no values for a given year are not available or not in effect for that period.  
<sup>1</sup> Includes all corporate activities performed by the operational vice presidencies, including the corporate input products program, as well as costs for country office operations and maintenance, and security.  
<sup>2</sup> New indicator for 2019.  
<sup>3</sup> A few audits are completed in the first quarter of the subsequent year.

## 1. Learning and Collaborative Knowledge Management

- 3.31 Learning and collaborative knowledge management covers generation, sharing, and dissemination, already systematized internally or externally ('explicit' or 'codified' knowledge), and the sharing, systematization, and dissemination of knowledge that emerges from the Bank's operational and corporate experience (knowledge that has traditionally been 'implicit' or 'uncodified'). The effectiveness of the Bank's action will depend on identifying the complementarities and synergies between the previously-mentioned functions, as well its capacity to link its internally-generated knowledge with the knowledge it acquires from external sources and the maintenance and updating of the existing store of intellectual capital, through training, the sharing of knowledge, systematization of the learning that stems from experience, and the dissemination of knowledge.
- 3.32 An estimated 191 deliverables for 55 Corporate Input Products (CIPs) will be prepared, which include activities related to Gender, Climate Change and most of KIC's program ([CIP list](#)).
- 3.33 The Bank will promote gender equality and diversity through the Bank's policy dialogues, country strategies and project portfolio; the development of a Diversity Action Plan; technical support,

supervision, and implementation of the bank-wide GAP; and the generation and dissemination of knowledge to improve the quality of IDB operations and analytical work on African descendants, indigenous peoples, persons with disabilities and members of the Lesbian, gay, bisexual, transgender, and intersex (LGBTI) community.

- 3.34 The Climate Change and Sustainable Development Sector (CSD) will also continue to support the positioning of the IDB in the international dialogue on sustainability and climate change in the emerging financial architecture and implementing the climate change action plan. CSD corporate products will reinforce IDB's cross-sectoral collaboration in support of the Bank's public and private lending, and technical assistance efforts.
- 3.35 KIC will continue supporting the current need of cutting-edge knowledge from external sources in fields demanded by the region and/or in which the Bank has not yet accumulated expertise and experience. Special efforts and resources will be dedicated to support the "Cutting-edge" and the "Visiting Scholars" programs. In addition, KIC's resources and work program will focus on the development of knowledge and learning programs that support training and knowledge sharing, knowledge management in the region and the Bank, and knowledge dissemination.
- 3.36 Through the incorporation of lessons from projects in execution into sector frameworks, country strategies and the preparation of new projects, KIC will aim to strengthen knowledge management in the region, contributing to the responsiveness, innovation and knowledge principles of the UIS, while being aligned with IDB's efforts to promote open knowledge and improve portfolio management and operational processes. Furthermore, through enhanced dissemination and communication work, KIC will expand its efforts to increase the visibility of Bank's knowledge products.

## 2. Corporate Services

- 3.37 During 2019, the Bank will continue enabling a more efficient use of resources and an effective delivery of corporate services, while contributing to the 2019 work program priorities through: (i) increasing the Bank's agility and its role as a resource mobilizer, and improving transparency and accountability; and (ii) fostering efficiency and optimization in the use of resources as well as the adoption of technology and innovation by:
- (a) Implementing the Human Capital Strategy (HCS) 2020 Update, the Total Rewards Framework (TRF) Update, the 2016-2020 Information and Technology (IT) Strategy, the RBB Framework, and the 2019-2021 Medium Term Capital Budget Plan;
  - (b) Continuing to provide quality and timely legal and financial services to operations;
  - (c) Implementing key actions identified in innovation and digital transformation action plans and the promotion of staff-led initiatives and experiments to stimulate a more disruptive, innovative, and forward-looking mind-set while at the same time, enhancing efficiency by using exponential technologies in a Collective Intelligence Smart Space;
  - (d) Enhancing collaboration with the IDB Invest under the Service Level Agreements (SLAs) environment, and with the IDB Lab under the service provision environment between the Bank and the IDB Lab;

- (e) Reviewing and streamlining corporate and operational processes and taking advantage of economies of scale to improve the way the Bank works and to continue identifying efficiencies and cost containment and avoidance;
- (f) Optimizing and expanding the Costa Rica Service Center (CRSC) to reinforce the delivery and quality of Human Resources, Financial, IT, Budgeting, Facilities, and other corporate services to the IDB Group, while contributing to the Bank's overall efficiency; and
- (g) Continuing to implement the Diversity and Inclusion Framework to ensure equal opportunities across the Bank.

### **a) Administrative Services**

- 3.38 The Administrative Services, Security, and Corporate Procurement Division (BDA/ACP) will focus on: (i) conducting the Leadership in Energy and Environmental Design (LEED) re-certification of 1300 and 1350 New York Avenue buildings; (ii) implementing enhancements in SAP including Vendor Portal functionality; (iii) providing procurement and contract management training to IDB Group employees and end-user training on procurement-related SAP enhancements; (iv) leading the standardization and optimization of Records Management in Country Offices (COFs); (v) finalizing updates to Travel Regulations; (vi) developing and implementing online Security and Travel training modules; (vii) developing the Corporate Security Strategy; (viii) completing the evaluation of Bank Executed Operations (BEO) Policy and Guidelines, as well as achieving the integration between Firm Procurement Module in Convergence and BEO Bidder Portal; and (ix) continuing the transfer of functions and services to the CRSC.

### **b) Information Technology Services**

- 3.39 The Information Technology Department (ITE) will follow the 2016-2020 IT Strategy and will focus on: (i) improving traceability and achieving efficiency gains through the digitalization of the SG and TC operations preparation processes in Convergence; (ii) enhancing and leveraging understanding of IDB stakeholders through the implementation of Salesforce and Client Relationship Management; (iii) fostering the adoption of technology and innovation through pilot projects using Blockchain in VPS and robotic process automation in VPC and the Finance Department (FIN); (iv) improving COFs user experience and performance through the delivery of the COF Connectivity to Cloud; (v) delivering a platform to increase findability and openness of the Bank's data and knowledge; (vi) enhancing corporate synergies by the expansion of IT support to IDB Invest in relation to SAP and Salesforce; (vii) continuing to renew skills in its personnel in order to respond to clients' needs, and proactively working with partners and vendors to mitigate cost escalations and drive synergies wherever possible; and (viii) building a strong platform to continue expanding and improving capabilities, user experience, efficiencies, innovation, and client responsiveness through the renewal of most solutions in the portfolio, as well as IT process improvements, and enhanced Infrastructure (Cloud).

### **c) Human Resources Management**

- 3.40 The Human Resources Department (HRD) will focus on: (i) continuing with the implementation of the IDB Group HCS 2020 Update by engendering a results-driven, inclusive, and diverse culture that engages staff and drives performance, while encouraging innovation and collaboration; (ii) discussing the Flexible and Efficient Workforce Management Framework proposal; (iii) strengthening compensation and benefit strategies, including variable pay and recognition; (iv) emphasizing sourcing methodologies that leverage analytics and technology;

(v) implementing the Engagement Survey and EDGE certification action plans; (vi) strengthening service delivery capacity through the continuous improvement of the CRSC human resources processes, as well as the increase of response time and service quality; (vii) advising and supporting supervisors in the areas of workforce planning and management, staff performance, and talent review; (viii) implementing the reengineering of SAP and ServiceNow systems to automate existing manual processes; (ix) updating and administering remuneration programs for staff to ensure that such programs and associated services meet the HCS objectives; (x) continuing the transition to the new medical insurance administrators; (xi) revising the tax reimbursement methodology in response to changes in federal tax regulations; (xii) developing business intelligence and analytics that focus on connecting people information with the Bank's strategic business needs; (xiii) deploying the leadership and employee development programs to strengthen core and leadership competencies and support career development; and (xiv) continuing delivering the "Living our Values at Work" Program.

- 3.41 The Office of Mediation (MDN) will continue its work as an additional instrument to help solve work-related disputes, thus contributing to boosting the Bank's overall efficiency and improving workplace relations by providing mediation services and reaching agreements, while helping reduce the escalation of grievances and their related costs, as well as by supporting IDB Group employees and Management in preventing and resolving potential conflicts at their earliest stages, resulting in a better work environment and a higher level of employee engagement. MDN will focus on: (i) providing consultations, formal and informal mediation services to IDB Group employees; (ii) carrying out outreach activities, with a renewed focus on COFs; and (iii) helping IDB Group employees learn ways to resolve conflict and further develop problem-solving skills.

#### **d) Financial Services**

- 3.42 FIN will focus on: (i) mobilizing external financing and leading the dialogue with various market stakeholders (e.g. counterparts, investors, external auditors, and rating agencies) to enable the Bank to meet its operational program while preserving its strong financial footing; (ii) expanding dialogue with SG and NSG clients to improve adoption of the Flexible Financing Facility (including currency and interest rate hedge mechanisms) in Bank operations; (iii) stabilizing the recent implementation of the new Loan Financial Management (LFM) and Cash Management systems; (iv) implementing robotic process automation in the areas of bank reconciliations, accounts payable, and accounts receivable to improve efficiency; (v) exploring new client products and services such as asset management (pilot program recently approved by the Board), commodity hedging (currently under review by Management), and protection against natural disaster and weather events; (vi) improving financial reporting to donors by simplifying financial management and reporting processes for Trust Funds; (vii) serving as primary interlocutor with rating agencies and overseeing Bank financial planning activities to meet its triple-A rating mandate; and (viii) fostering the adoption of technology and innovation to promote an innovative workplace.

#### **e) Budgeting**

- 3.43 The Budget Division (BDA/BGT) will focus on: (i) delivering six program and budget documents and presentations to Senior Management and the Board; (ii) developing a Multi-Year Budgeting Conceptual Framework, including transition costs, benefits, and dependencies with foundational elements; (iii) developing a Budget Ratio-Based Workforce Control mechanism as part of HRD's Flexible and Efficient Workforce Management Framework proposal; (iv) continuing to implement improvements for an efficient and effective budgetary process; (v) reviewing the RBB

Framework's MBFs; and (vi) continuing improvements and rigor in the capital projects selection process and its execution monitoring and reporting.

#### **f) Secretariat Services**

- 3.44 SEC will launch a new and improved website and Governors' Extranet enabling quick access to services and information, such as the status, outcome and statements related to Non-Objection procedures, while also facilitating access from mobile devices and off-network access. It will also focus on rolling out the "Service Now" platform to Headquarters (HQS) and COFs to improve accountability throughout the information request process. Additionally, SEC will continue to work on new tools for optimizing workload management for the IDB and IDB Invest Boards and IDB Lab Donors Committee, to better coordinate the IDB Group's meetings to reduce the bunching of meetings. In 2019 SEC will follow up on implementation of the new IDB, IDB Invest and IDB Lab approval procedures, helping to identify improvements and efficiencies.
- 3.45 In addition, the Ortiz Mena and Cecilio Morales meeting rooms will undergo major renovations to upgrade aging equipment and address changes in the format of meetings given the new IDB Group structure. This will include the integration of customized, state-of-the-art audiovisual and simultaneous interpretation technologies providing enhanced quality, reliability, versatility, and accessibility, and installation of a custom-designed table to accommodate seating requirements for joint Board meetings.

#### **g) Legal Services**

- 3.46 The Legal Department (LEG) will focus on: (i) preparing, negotiating and executing Bank legal agreements, and developing and updating model agreements; (ii) providing legal advice to support SG operations, including the implementation of new and revised lending instruments; (iii) partnering in the development of policies and negotiating the agreements that implement resource mobilization, through borrowings and co-financing; (iv) providing legal opinions and support on implementation of Bank policies, strategies and regulations, such as the Access to Information Policy (responding to individuals, governments, civil society and the media requesting information), the Independent Consultation and Investigation Mechanism (MEC) policies, Sanctions Procedures, Staff Rules, and different procurement policies; (v) supporting strategic initiatives such as the UIS, climate change goals, and the use of National Country Procurement Systems; (vi) supporting initiatives for streamlining processes and IT solutions that increase agility, use of technology, and innovation; (vii) collaborating with IDB Invest by providing legal services, including on governance, interpretation and development of financial policies, and cross-booking operations; as well as (viii) providing legal representation of the Bank and IDB Invest in legal disputes.

#### **h) Pension Plans Management and Administration**

- 3.47 The Office of the IDB Group Retirement Plans (SRP) will focus on: (i) ensuring that the Plans' actuarial valuations and audited financial statements accurately reflect their financial condition; (ii) ensuring that the Plans' assets are invested in compliance with approved Policies, with appropriate risk and return profiles, including implementation of new asset classes and strategies approved by governing Committees for several Plans; (iii) ensuring that the Plans are administered accurately, efficiently and responsively to participants' needs; (iv) continuing the improvement and integration of the Pension Administration and SAP Systems; and (v) continuing the services provided to IDB Invest under the SLA environment.

### 3. Corporate Governance

#### a) Strategic Governance, Risk and Control

- 3.48 The Office of the Executive Auditor (AUG) will focus its 2019 Risk Based Audit Plan on areas such as governance and control environment, project life-cycle, organizational and geographic location, digitalization and resource management. This approach will enable AUG to cover topics such as: institutional change management, digital governance, increasingly demanding donors, risk management, project cycle, new information systems, new processes and products, implementation of the new Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Framework, data governance, and resource mobilization, among others. A solid quality assurance and improvement program, along with a well-defined data analytics strategy, are key instruments to promote and improve the value added across all phases of audit work. AUG continues to develop tools and techniques to improve its corporate service and audit coverage, and to identify relevant trends or exceptions that would warrant further analysis. These new tools and techniques provide an array of benefits including, but not limited to, the ability to review 100% rather than only a sample of related transactions, the development of more comprehensive audit conclusions, the implementation of continuous risk assessments, and the execution of work in a less costly and more efficient manner. Whenever warranted, AUG shares these techniques and tools with Management, to contribute to continuous improvement across the organization.
- 3.49 The Office of Institutional Integrity (OII) will innovate through its Integrity training programs for IDB Group staff, executing agencies, audit firms and civil society that aim at increasing awareness and strengthening the first line of defense, therefore advancing their capacity to manage integrity risks and to detect and report occurrences of prohibited practices. Per the new AML/CFT Framework, OII will take on a new compliance function role for AML/CFT matters to (i) oversee the implementation of a Bank-wide AML/CFT risk assessment and adoption of appropriate AML/CFT controls; and (ii) serve as an expert resource to which consultations and flagged transactions will be directed.
- 3.50 The Office of Risk Management (RMG) will orient its work program toward implementing and calibrating the Bank's risk appetite; strengthening risk governance; applying a forward-looking approach to managing risks; and employing greater automation throughout the risk management process. New activities for 2019 include (i) continuing to develop the Operational Risk Management Framework and the Bank's Risk Taxonomy, especially in the context of Aligned Assurance; (ii) designing the new accounting standard Current Expected Credit Losses (CECL) for loss allowance for the SG and NSG portfolios to be implemented by the Accounting Division (FIN/ACC) and IDB Invest; (iii) collaborating with OII to implement the approved AML/CFT Framework; (iv) providing treasury risk management capabilities and advice needed for ongoing corporate initiatives and projects including the IDB Invest Derivatives project implementation, local currency and commodity derivatives risk analytics, implementation of repos as a liquidity management tool, and the Capacity Building, Asset Management, and Advisory Services (CAAs) Pilot Program; (v) establishing a presence in CRSC to monitor key operational risk indicators and to manage the operation of Bwise software; and (vi) contributing to the elaboration and roll out of the UIS and related Mobilization Initiative.

## **b) Corporate Management**

- 3.51 SPD will coordinate with relevant IDB Group units the preparation of the 2020-2023 Institutional Strategy and Corporate Results Framework, and develop and carryout an analytical agenda to support strategic proposals to enhance the Bank's role in the region. SPD will coordinate with relevant IDB Group units the analysis of options and elaboration of proposals and related instruments to carry out the mandate set out by Governors in the Mendoza Annual Meeting to increase mobilization efforts to close development gaps, particularly in infrastructure.

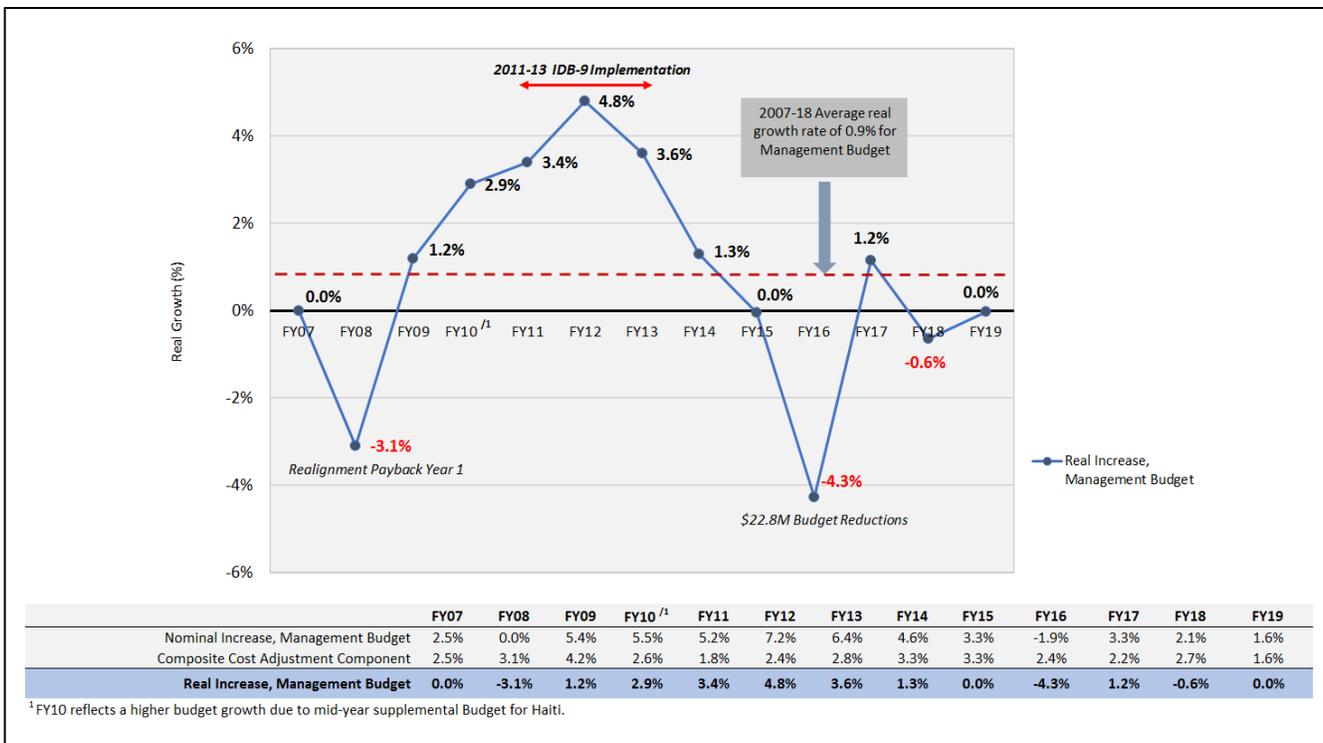
## **4. Capital Improvements Management**

- 3.52 During 2019, the Bank will focus on managing the completion of the second release of the new Loan and Cash Management systems, which will increase the Bank's agility in responding to market driven offerings and clients' demands, while delivering improved functionality to service the Bank's loan and cash portfolios and providing better information to clients. The Bank will execute the Corporate and Operational Improvement Programs to drive efficiencies through SAP and Convergence systems. The Budget and Administrative Services Department (BDA) will manage (i) completing COFs Dominican Republic and Colombia capital projects, (ii) beginning construction of COF Argentina, and (iii) Phase II of the CRSC build-out.

### 4. 2019 IDB APPROVED ADMINISTRATIVE BUDGET

- 4.1 The total approved Administrative Budget envelope for all budget categories is \$603.4 million for 2019, corresponding to a 0.4% real budget growth and a 2.0% nominal budget growth. This overall 0.4% real budget growth is driven primarily by a 18.6% real growth in the BOG budget category related to the 2019 Annual Meeting in Chengdu, People’s Republic of China, and by the one-time expenditure of \$1.7 million for the Bank’s 60th Year Anniversary celebrations. The approved Management Budget for 2019 of \$560.0 million, represents a zero-percent real growth and a nominal growth of 1.6%, using a CCAC of 1.6%.
- 4.2 The budgetary discipline that the Bank has pursued over the last decade has proven effective. The Bank’s Management Budget has experienced an average annual real growth of 0.9% during 2007-2018, to deliver on the multiple mandates given to Management by the Board of Executive Directors and/or the Board of Governors, many of them captured under the Ninth General Capital Increase and the Agenda for a Better Bank (ABB). These mandates have resulted in, among others, changes to the Bank’s production functions, increasing the specialization of inputs to produce more complex operations with higher developmental impact (PP-588-18), accompanied by higher levels of loan approvals and disbursements.
- 4.3 Figure 4.1 below provides an overview of the historical real growth trend of the Management Budget category and shows that the 2019 approved real growth is below the annual average real growth of 0.9% for the period 2007-2018.

**Figure 4.1. 2007-2019 Management Budget Real Growth vs. 2007-2018 Average Real Growth**



- 4.4 Furthermore, Management’s continuous commitment to increase efficiencies and enhance cost management and financial sustainability have led to the implementation of a variety of measures aimed at containing costs and performing internal budget reallocations and reductions. As a

result of these measures, since 2008 Management has delivered a total of \$202.4 million in cost savings and cost avoidance measures in both the Administrative and Capital budgets<sup>15</sup>. These costs consist primarily of the Realignment payback, savings in the implementation of the IDB-9 Mandates, Capital Budget cancellations, and policy and process reforms, amongst others. These savings were not recorded as administrative expenses in the Income Management Model (IMM) and, hence, did not affect loan charges, but in fact contributed to accumulation of Bank capital via higher retained earnings

#### **A. 2019 IDB Management Budget Nominal Growth Relative to the 2018 Approved Budget**

- 4.5 The approved Management Budget envelope for 2019 of \$560.0 million, representing a zero-percent real growth equivalent to a nominal growth rate of 1.6% (with a CCAC of 1.6%), reflects Management's continued commitment to improve the way it works and deploy budgetary and human resources efficiently.
- 4.6 The zero-percent real growth for the Management Budget category amounts to \$8.8 million (corresponding to 1.6% CCAC) to cover expected market-driven increases in Labor Costs (\$6.0 million) and Non-Labor Costs (\$2.8 million). Additional resource demands of \$3.4 million beyond the CCAC identified mainly for recurring administrative expenses related to completed capital projects will be funded through internal budget reductions and efficiencies.
- 4.7 As in previous years, Management is using efficiencies within the 2018 SLC resources to fund the 2019 staff promotions as well as reward elements of variable pay and recognition for 2019 during the 2019 budget execution.
- 4.8 Although National SLC and National CLC in local currency are estimated to increase, the change in exchange rates observed at the end of 2018 has resulted in a 2019 budget request for National SLC and CLC that is lower than the 2018 approved budget by \$1.7 million in total.

#### **1. 2019 Approved CCAC (\$8.8 million)**

- 4.9 The 2019 CCAC computation reflects the specialized cost structure of the Bank and includes expected market-driven Labor and Non-Labor Cost increases on a weighted average basis. Starting in 2019, the CCAC will apply the updated methodology to the Complementary Labor Costs, as presented to the Board in June 2018<sup>16</sup>. As such, SLC increases are aligned with the Board-approved Funded Salary Increase (FSI) methodology established in the TRF Update<sup>17</sup>; CLC are set by the new Fee Matrix Index (FMX); and NLC are set by the expected U.S. CPI and Latin American regional inflation levels. The purpose of the CCAC is to reflect market-based price increases/decreases that Management expects to pay in 2019, and as in past years sets the threshold in nominal terms for computing the zero-real budget growth level<sup>18</sup>.

<sup>15</sup> Cost savings and cost avoidance measures totaling \$136.5 million up to April 2015 were highlighted in the presentation to the Budget and Financial Policies Committee (BUFIPOL) on Cost Savings and Cost Avoidance Measures ([GA-258-13](#)).

<sup>16</sup> IDB Composite Cost Adjustment Component Methodology – Adjustment Applicable to Complementary Workforce Labor Costs (CLC) ([PP-888](#)).

<sup>17</sup> Update to the Bank's Total Rewards Framework. Revised Version. ([GN-2799-16](#)).

<sup>18</sup> IDB Composite Price Adjustment Factor (CPAF) Methodology ([GA-258-10](#)).

4.10 As illustrated in Table 4.1 below, the Administrative Budget for 2019 involves a CCAC of 1.6% based on a weighted Labor Cost Adjustment Component of 1.1% and a weighted Non-Labor Cost Adjustment Component of 0.5%.

**Table 4.1. 2019 Composite Cost Adjustment Component**

Item	Cost Adjustment Component	Weight <sup>1</sup>	Weighted Cost Adjustment Component
Labor Costs	1.4%	81.4%	1.1%
Non - Labor Costs	2.8%	18.6%	0.5%
<b>2019 Composite Cost Adjustment Component</b>			<b>1.6%</b>

<sup>1</sup> Determined based on 2018 Approved Budget.

4.11 The 2019 CCAC of 1.6% corresponds to the actual dollars the Bank is expected to spend on its specialized Labor and Non-Labor Costs to sustain Bank operating costs in 2019, all else being constant. The Labor Cost component is mainly comprised of funding for staff and complementary workforce. For staff, the Bank establishes salaries at levels competitive in its hiring markets for labor, as required to attract and retain highly qualified staff in accordance with the TRF Update. To maintain relevant funding for the complementary workforce, the FMX is used for the CLC as it represents the replacement cost of remuneration that occurs in the labor marketplace and is captured through the use of competitive labor market surveys. CPI and other cost-of-living measurements are not related to the Bank’s specialized labor costs; hence, their use is only applicable to the Non-Labor components of the CCAC.

**a) 2019 CCAC - Labor Costs**

4.12 Table 4.2 below shows detailed information on the construction of the Labor Cost portion of the CCAC. Labor Costs include both SLC and CLC, i.e. consulting services that are directly engaged in business-related activities, including the new Complementary Framework contractual modalities (Consultants, and Products and External Services Contractuals - PECs), learning firms to support knowledge management and training, employment agencies and freelancers, business consulting firms, audit and legal fees.

4.13 While the cost adjustment components for both SLC and CLC are calculated using methodologies that consider the competitive marketplace, the FSI for SLC and the FMX for CLC are intended to capture the unique nature of each type of resource.

**Table 4.2. 2019 Labor Cost Adjustment Component**

Item	Source	Cost Adjustment Component	Weight <sup>1</sup>	Weighted Cost Adjustment Component
<b>Labor Costs</b>		<b>1.4%</b>	<b>81.4%</b>	<b>1.1%</b>
SLC - International Staff (HQS & COF)	HRD - Funded Salary Increase (FSI) for 2019	1.9%	57.4%	1.1%
SLC - National Staff (COF) <sup>2</sup>	HRD - Funded Salary Increase (FSI) for 2019	-3.9%	5.2%	-0.2%
CLC - International Modality <sup>3</sup>	HRD - Fee Matrix Index Increase (FMX) for 2019	2.1%	17.0%	0.4%
CLC - National Modality <sup>3,4</sup>	HRD - Fee Matrix Index Increase (FMX) for 2019	-7.4%	1.8%	-0.1%

<sup>1</sup> Determined based on 2018 Approved Budget.

<sup>2</sup> Although national SLC in local currency is estimated to increase, this figure is adjusted by overall offsetting of exchange rate fluctuations.

<sup>3</sup> Includes Consultants (TTC, DTC and new consultant modality), PECs, and Business Firms (firms to support the Bank's business activities and Knowledge Management & training, employment agencies and freelancers, audit, and legal services).

<sup>4</sup> Although national CLC in local currency is estimated to increase, this figure is adjusted by overall offsetting of exchange rate fluctuations.

4.14 In the case of National SLC and National CLC, the cost adjustment component considers the impact of exchange rate fluctuations. Consequently, the approved 2019 budget for National SLC and National CLC is lower than the 2018 approved budget by \$1.7 million (\$1.1 million for SLC and \$0.6 million for CLC).

#### **i. 2019 Funded Salary Increase (FSI)**

4.15 In line with the update to the TRF<sup>19</sup> approved by the Board, an indexation survey was conducted and was used as an input to determine the FSI recommended by Management for 2019. The FSI for SLC, which reflects exchange rate fluctuations in the case of national staff, is 1.9% and -3.9%<sup>20</sup> for international and national staff, respectively. The FSI figure also includes a budget for mid-year salary increases for national staff in relevant country offices

#### **ii. 2019 Promotions, Variable Pay and Recognition**

4.16 Continuing with past practice and based on the Bank's historical promotion pattern, Management allocated in 2019 a 0.5% of payroll for promotions, which will be funded within the existing SLC budget.

4.17 As highlighted in the update to the Bank's TRF, the Bank continues to use variable pay<sup>21</sup> to support Bank priorities. For 2019 the variable pay is set at 1% of salaries, to be funded during the 2019 budget execution.

<sup>19</sup> Update to the Bank's Total Rewards Framework. Revised Version. ([GN-2799-16](#)), October 17, 2016.

<sup>20</sup> The FSI number for national staff is negative due to the impact of significant depreciation in foreign exchange rates in several countries, including Argentina, Brazil, and Venezuela, generating a reduction in the requested funding for this cost source.

<sup>21</sup> Variable pay is defined as non-pensionable, lump sum award to staff based on their performance.

4.18 A final component of rewards endorsed by the TRF was an enhancement of the recognition programs, which aim to recognize day-to-day contributions and valued behaviors through small monetary and non-monetary awards provided to employees. These programs will be funded during the 2019 budget execution.

### iii. 2019 Fee Matrix Index (FMX)

4.19 In previous years, the CCAC applied to CLC was the same index applied to staff remuneration (i.e., the FSI). However, consistent with the presentation to the Budget and Financial Policies Committee (BUFIPOL) in June 2018<sup>22</sup>, Management updated the CCAC methodology for CLC, referred to as the FMX. This updated methodology was used to calculate the CCAC for CLC for the 2019 budget, with the resulting FMX of 2.1% for the International Modality and -7.4% for the National Modality<sup>23</sup>, as shown in Table 4.2 above.

### b) 2019 CCAC - Non-Labor Costs (NLC)

4.20 Table 4.3 below provides details on the construction of the approved 0.5% Non-Labor weighted cost adjustment component for 2019. NLC are set by the expected U.S. CPI and Latin American regional inflation levels.

**Table 4.3. 2019 Non-Labor Cost Adjustment Component**

Item	Source	Cost Adjustment Component	Weight <sup>1</sup>	Weighted Cost Adjustment Component
<b>Non - Labor Costs</b>		<b>2.8%</b>	<b>18.6%</b>	<b>0.5%</b>
Outside Services <sup>2</sup>	2019 Average projected U.S. Consumer Price Index (CPI): Congressional Budget Office, Fed, IMF, and the Economist Intelligence Unit	2.3%	0.6%	0.0%
Travel <sup>3</sup>	2019 Average projected U.S. Consumer Price Index (CPI): Congressional Budget Office, Fed, IMF, and the Economist Intelligence Unit	2.3%	4.6%	0.1%
General Administrative Costs COF	2019 Projected regional inflation for Latin America: Latin Focus Consensus (independent economic forecast) <sup>5</sup>	5.3% <sup>6</sup>	2.9%	0.2%
Learning Logistics and Fees <sup>4</sup> and General Administrative Costs HQS	2019 Average projected U.S. Consumer Price Index (CPI): Congressional Budget Office, Fed, IMF, and the Economist Intelligence Unit	2.3%	10.4%	0.2%

<sup>1</sup> Determined based on 2018 Approved Budget.  
<sup>2</sup> Includes contractual services that do not directly support the Bank's business activities.  
<sup>3</sup> Includes international and local business travel and training travel to support Knowledge Management.  
<sup>4</sup> Includes learning tuition fees and learning logistics to support Knowledge Management.  
<sup>5</sup> Projected regional inflation calculated with a foreign exchange rate projected for 2019.  
<sup>6</sup> Reflects a lower Cost Adjustment Component by excluding outliers.

<sup>22</sup> IDB Composite Cost Adjustment Component Methodology – Adjustment Applicable to Complementary Workforce Labor Costs (CLC) ([PP-888](#)).

<sup>23</sup> The FMX for the national complementary workforce is negative due to the impact of significant depreciation in foreign exchange rates for several countries.

## **2. 2019 Resource Demands Beyond the CCAC (\$3.4 million) Funded with Internal Budget Reductions and Efficiencies**

- 4.21 Additional resources will be required in 2019 to fund recurrent administrative expenditures generated by capital budget IT and Facilities projects foreseen for completion by the end of 2018. These additional resources amount to \$3.3 million and reflect the net increase over the existing administrative costs for the products/facilities that are being replaced/expanded and fresh resources for new products. An additional \$130.0 thousand will also be required to fund the new compliance function role for the new AML/CFT Framework in OII.
- 4.22 Given Management's continued commitment to contain costs, the \$3.4 million in resource demands for 2019 beyond the CCAC will be funded through internal budget reductions and efficiencies in the areas of Labor Costs and Non-Labor Costs.

## **B. 2019 Approved Administrative Budget by Labor and Non-Labor Costs, Organizational Unit and Major Item of Expense**

- 4.23 For 2019, Management has taken steps to better align budget formulation with anticipated execution, so as to minimize differences between the 2019 approved budget and its execution. In this context, the 2019 approved budget reflects 2019 Labor Costs based on planned levels of staff salaries and consultants' fees (DTC, TTC and new consultant modality), including expected consultant remunerations funded with staff vacancy salary funds.

### **1. 2019 Approved Administrative Budget by Labor and Non-Labor Costs**

- 4.24 Table 4.4 below shows the 2019 Administrative Budget split into Labor and Non-Labor Costs. Labor costs are comprised of SLC and CLC, which as a percentage of the Total Bank's Budget (excluding the Bank's 60<sup>th</sup> Year Anniversary) are 62.5% and 18.9%, respectively. Labor Costs include consulting services that are directly engaged in business-related activities, including the Complementary Workforce Framework contractual modalities (DTCs, TTCs, new consultant modality, and PECs), learning firms to support knowledge management and training, employment agencies and freelancers, business consulting firms, and audit and legal fees. The 18.6% in Non-Labor Costs includes contractual services that do not directly support the Bank's business activities (Outside Services such as security, cleaning, etc.), as well as business and training travel, learning logistics and fees, and general administrative costs.
- 4.25 The approved 2019 Labor Costs under Management Budget represent 81.5% of the total cost, or \$456.6 million, of which \$347.5 million correspond mainly to staff salaries and benefits, and \$109.1 million to the Complementary Workforce Framework contractual modalities (including \$21.4 million to Complementary Workforce Framework contractual modalities under the Transactional Budget). Non-Labor Costs total \$103.4 million or 18.5% of all costs (including \$12.7 million of travel under the Transactional Budget).
- 4.26 Labor Costs approved for Operational departments (including the Transactional Budget) total \$282.2 million or 85.7% of the respective budget, whereas for Corporate departments these numbers are \$164.0 million or 78.0%, respectively.

Table 4.4. 2019 Approved Administrative Budget by Labor and Non-Labor Costs

Organizational Unit (\$000)	a		b		c = a + b		Non-Labor Costs				d		e = c + d
	Labor Costs		Total Labor Costs		NLC				Total Non-Labor Costs		TOTAL COSTS		
	SLC	CLC	\$	%	Outside Services <sup>4</sup>	Learning Logistics and Fees <sup>5</sup>	Travel <sup>6</sup>	General Administrative Costs	\$	%			
	Staff Costs <sup>1,2</sup>	Complementary Labor Costs <sup>3</sup>											
<b>A. BOG, EXD, MEC, OVE, Tribunal</b>	<b>28,749</b>	<b>4,716</b>	<b>33,465</b>	<b>80.2%</b>		<b>371</b>	<b>4,965</b>	<b>2,931</b>		<b>8,268</b>	<b>19.8%</b>	<b>41,733</b>	
<b>Management Budget</b>													
Vice Presidency for Countries	74,698	15,344	90,042		53	252	4,394	14,902		19,600		109,642	
Vice Presidency for Sectors and Knowledge	143,741	27,036	170,777		108	2,353	5,028	7,369		14,858		185,634	
Transactional Budget (Operational Support Budget)		21,382	21,382				12,696			12,696		34,078	
<b>Sub-total VPC, VPS, and Transactional</b>	<b>218,439</b>	<b>63,762</b>	<b>282,201</b>	<b>85.7%</b>	<b>161</b>	<b>2,604</b>	<b>22,118</b>	<b>22,271</b>		<b>47,154</b>	<b>14.3%</b>	<b>329,354</b>	
Strategic Core	50,362	10,867	61,230		163	372	2,398	4,229		7,163		68,392	
Vice Presidency for Finance and Administration	71,034	31,702	102,736		2,497	1,069	908	34,701		39,176		141,911	
<b>Sub-total STC and VPF</b>	<b>121,397</b>	<b>42,569</b>	<b>163,966</b>	<b>78.0%</b>	<b>2,660</b>	<b>1,441</b>	<b>3,307</b>	<b>38,930</b>		<b>46,338</b>	<b>22.0%</b>	<b>210,304</b>	
Bankwide <sup>7</sup>	3,992	1,551	5,543		30	50	80	1,110		1,270		6,813	
Sanctions Office	515	318	833			18	29	32		80		913	
Funded Salary Increase	400		400									400	
<b>Sub-total Bankwide, Sanctions Office &amp; Funded Salary</b>	<b>4,906</b>	<b>1,869</b>	<b>6,776</b>	<b>83.4%</b>	<b>30</b>	<b>68</b>	<b>109</b>	<b>1,142</b>		<b>1,350</b>	<b>16.6%</b>	<b>8,125</b>	
Staff in Transition and Reassignment	1,200		1,200									1,200	
Termination Payments	1,500		1,500									1,500	
Central Accounts		443	443		225		25	8,333		8,584		9,027	
Ethics/Conduct/ Grievance Systems Reforms	24	464	488									488	
<b>Sub-total</b>	<b>2,724</b>	<b>907</b>	<b>3,631</b>	<b>29.7%</b>	<b>225</b>		<b>25</b>	<b>8,333</b>		<b>8,584</b>	<b>70.3%</b>	<b>12,215</b>	
<b>B. Management Budget</b>	<b>347,466</b>	<b>109,107</b>	<b>456,573</b>	<b>81.5%</b>	<b>3,076</b>	<b>4,114</b>	<b>25,559</b>	<b>70,676</b>		<b>103,425</b>	<b>18.5%</b>	<b>559,998</b>	
<b>BANK TOTAL (A+B)</b>	<b>376,214</b>	<b>113,823</b>	<b>490,038</b>	<b>81.4%</b>	<b>3,076</b>	<b>4,485</b>	<b>30,524</b>	<b>73,607</b>		<b>111,693</b>	<b>18.6%</b>	<b>601,731</b>	
C. Bank's 60 Year Anniversary (one-time expenditure)								1,671		1,671	100.0%	1,671	
<b>Grand Total (A+B+C)</b>	<b>376,214</b>	<b>113,823</b>	<b>490,038</b>	<b>81.2%</b>	<b>3,076</b>	<b>4,485</b>	<b>30,524</b>	<b>75,278</b>		<b>113,364</b>	<b>18.8%</b>	<b>603,402</b>	

<sup>1</sup> Includes Salaries, Benefits, Overtime, Special Employees, and termination payments.

<sup>2</sup> VPs/Departments include an estimated Funded Salary Increase of 1.9% for International Staff and -3.9% for National Staff, for illustrative purposes only.

<sup>3</sup> Includes consulting services that are directly engaged in business-related activities: complementary workforce (CWF) (DTC, TTC, PEC, and consultants), learning firms to support Knowledge Management and training, employment agencies and freelancers, business consulting firms, and audit and legal fees.

<sup>4</sup> Includes contractual services that do not directly support the Bank's business activities.

<sup>5</sup> Includes learning and tuition fees and learning logistics to support Knowledge Management.

<sup>6</sup> Includes international and local business travel and training travel to support Knowledge Management.

<sup>7</sup> Includes Staff, Family and Retirees Associations, Office of the Ombudsperson, Young Professionals, Internship Program, Staff Relations, Staff on Secondment, and other centrally held items.

## **2. 2019 Approved Administrative Budget by Organizational Unit and by Major Item of Expense**

- 4.27 Table 4.5 below shows the 2019 approved budget by organizational unit. The overall real budget growth is driven primarily by a 18.6% real growth in the BOG budget category related to the 2019 Annual Meeting in Chengdu, People's Republic of China, and by the one-time expenditure of \$1.7 million for the Bank's 60th Year Anniversary celebrations.
- 4.28 Continuing with the practice started in the 2018 budget, in 2019 the Management Budget category shows the Transactional Budget (Operational Support Budget) as a separate line item in order to track its formulation and execution separately from VPC and VPS. However, the established protocols for managing those resources between the two Vice Presidencies remain unchanged. This separate reporting is also made in anticipation of the pilot Biennial Programming Framework for Sovereign Guaranteed Operations.
- 4.29 Furthermore, based on feedback received from the Board during previous discussions on the Program and Budget Proposal reports, starting in 2019 Management has eliminated the adjusted approved budget concept in all tables and references reported to the Board. As a consequence, variations between the 2019 approved budget amounts against Board 2018 approved budget (instead of 2018 adjusted approved budget) are more noticeable than in the past given that such variations include interdepartmental transfers of resources and/or functions (staff movements) that took place in 2018 and hence affected departmental base budgets, but were budget neutral overall within the Management Budget category.
- 4.30 In particular, within the Management Budget category, significant variations between the 2018 and 2019 approved budgets can be observed in the following Departments/Vice-Presidencies given: (i) the creation of the Knowledge, Innovation, and Communications Sector under VPS, which consolidated the activities performed by the Knowledge and Learning Sector (KNL), the Digital Economy Initiative (DEI) and the Office of External Relations (EXR), belonging previously to STC; and (ii) the consolidation under the Operations Financial Management Procurement Services Office of CLC and NLC fiduciary resources executed by Country Offices and previously reported under the four Country Departments, which does not affect how the resources are being managed or monitored.
- 4.31 In addition, major percentage increases between the 2018 and 2019 approved budgets are observed in: (i) OII for the new compliance function role for the new AML/CFT Framework; and (ii) ITE and RMG where 55% and 7%, respectively, of the \$3.3 million resource demand for recurring administrative expenses related to completed capital projects will be executed in 2019.
- 4.32 On the other hand, major percentage decreases between the 2018 and 2019 approved budgets are mainly observed in: (i) Central Accounts due to lower utility costs for the Bank's Washington D.C. buildings, efficiencies achieved in printing services, and adjustments to the projected utilization of the MetroCommute program; and (ii) the Country Department Southern Cone (CSC) to reflect a 2019 approved budget for National SLC and National CLC that is lower than its 2018 Approved Budget as a result of significant depreciation in foreign exchange rates.
- 4.33 Other departmental variations between the 2018 and 2019 approved budgets reflect higher/lower SLC incurred in 2018 (e.g. the Office of Ethics, and the Mediation Office) or interdepartmental transfers of SLC resources and/or functions (staff movements) that took place in 2018 and hence affected departmental base budgets.

Table 4.5. 2019 Approved Administrative Budget by Organizational Unit

Organizational Unit (\$000)	2018 Approved Budget <sup>1</sup>		2019 Approved Budget <sup>2</sup>		2019 vs. 2018 Approved		
	HC	\$	HC	\$	\$	%	%
						Nominal	Real
Board of Governors (Annual Meeting in Chengdu, People's Republic of China)		4,493		5,398	905	20.2%	18.6%
Board of Executive Directors	102	23,386	102	23,881	495	2.1%	0.5%
Independent Consultation and Investigation Mechanism	6	2,632	7	2,554	(78)	-3.0%	-4.6%
Office of Evaluation and Oversight	30	8,181	30	8,336	155	1.9%	0.3%
Administrative Tribunal	2	1,564	2	1,564		0.0%	-1.6%
<b>A. BOG, EXD, MEC, OVE, Tribunal</b>	<b>140</b>	<b>40,256</b>	<b>141</b>	<b>41,733</b>	<b>1,477</b>	<b>3.7%</b>	<b>2.1%</b>
<b>Management Budget</b>							
<i>Strategic Core</i>							
Office of the President	23	6,028	20	6,045	16	0.3%	-1.3%
Office of Institutional Integrity	13	3,513	13	3,767	254	7.2%	5.6%
Office of the Executive Vice President	9	2,670	9	2,762	92	3.5%	1.9%
Office of the Executive Auditor	23	5,552	23	5,594	41	0.7%	-0.9%
Office of External Relations	44	12,696			(12,696)	-100.0%	-101.6%
Office of Outreach and Partnerships	41	12,190	41	12,629	439	3.6%	2.0%
Office of Risk Management	24	8,390	24	8,813	422	5.0%	3.4%
Office of the Secretary	62	13,301	62	13,533	232	1.7%	0.1%
Office of Strategic Planning and Development Effectiveness	31	10,463	30	10,264	(199)	-1.9%	-3.5%
Office of Ethics	7	1,901	7	2,018	117	6.2%	4.6%
Micro, Small and Medium Enterprise Unit	10	2,920	10	2,969	48	1.7%	0.1%
<b>Sub-total Strategic Core Departments</b>	<b>287</b>	<b>79,624</b>	<b>239</b>	<b>68,392</b>	<b>(11,232)</b>	<b>-14.1%</b>	<b>-15.7%</b>
Vice Presidency for Countries	14	4,980	14	5,151	171	3.4%	1.8%
Country Department Southern Cone	76	21,297	76	18,902	(2,396)	-11.2%	-12.8%
Country Department Central America, Haiti, Mexico, Panama and the Dominican Republic	123	30,513	122	29,596	(918)	-3.0%	-4.6%
Country Department Andean Group	76	16,290	77	16,302	12	0.1%	-1.5%
Country Department Caribbean Group	67	16,007	67	16,178	172	1.1%	-0.5%
Operations Financial Management and Procurement Services Office	88	19,971	88	23,513	3,542	17.7%	16.1%
<b>Sub-total Vice Presidency for Countries</b>	<b>444</b>	<b>109,059</b>	<b>444</b>	<b>109,642</b>	<b>583</b>	<b>0.5%</b>	<b>-1.1%</b>
Vice Presidency for Sectors and Knowledge	12	2,986	10	2,913	(73)	-2.4%	-4.0%
Environmental and Social Safeguards Unit	30	7,187	29	7,119	(67)	-0.9%	-2.5%
Department of Research and Chief Economist	32	10,133	32	10,129	(4)	0.0%	-1.6%
Infrastructure and Energy Sector	134	30,881	134	31,187	305	1.0%	-0.6%
Social Sector	118	29,790	118	30,045	255	0.9%	-0.7%
Institutions for Development	145	35,991	145	36,535	544	1.5%	-0.1%
Knowledge and Learning Sector	38	16,151			(16,151)	-100.0%	-101.6%
Integration and Trade Sector	42	13,400	42	13,061	(339)	-2.5%	-4.1%
Climate Change and Sustainable Development Sector	99	22,716	101	23,299	584	2.6%	1.0%
Knowledge, Innovation and Communication Department			85	31,348	31,348		
<b>Sub-total Vice Presidency for Sectors and Knowledge</b>	<b>650</b>	<b>169,234</b>	<b>696</b>	<b>185,634</b>	<b>16,400</b>	<b>9.7%</b>	<b>8.1%</b>
Transactional Budget (Operational Support Budget)		33,374		34,078	704	2.1%	0.5%
<b>Sub-total Transactional Budget</b>		<b>33,374</b>		<b>34,078</b>	<b>704</b>	<b>2.1%</b>	<b>0.5%</b>
<b>Sub-total VPC, VPS, and Transactional Budget</b>	<b>1,094</b>	<b>311,667</b>	<b>1,140</b>	<b>329,354</b>	<b>17,688</b>	<b>5.7%</b>	<b>4.1%</b>
Vice Presidency for Finance and Administration	7	2,416	7	2,488	72	3.0%	1.4%
Mediation Office	1	579	1	501	(78)	-13.4%	-15.0%
Finance Department	100	25,073	100	25,137	64	0.3%	-1.3%
Human Resources Department	68	19,740	71	19,907	167	0.8%	-0.8%
Information Technology Department	97	51,395	97	53,955	2,560	5.0%	3.4%
Budget and Administrative Services Department	58	29,850	58	30,316	467	1.6%	0.0%
Legal Department	45	9,356	45	9,606	251	2.7%	1.1%
<b>Sub-total Vice Presidency for Finance and Administration</b>	<b>376</b>	<b>138,408</b>	<b>379</b>	<b>141,911</b>	<b>3,503</b>	<b>2.5%</b>	<b>0.9%</b>
<b>Sub-total Strategic Core, VPC, VPS, Transactional Budget, and VPF</b>	<b>1,757</b>	<b>529,699</b>	<b>1,758</b>	<b>539,658</b>	<b>9,959</b>	<b>1.9%</b>	<b>0.3%</b>
Bankwide <sup>3</sup>	6	6,848	6	6,813	(35)	-0.5%	-2.1%
Sanctions Office	2	896	2	913	16	1.8%	0.2%
Funded Salary Increase		450		400	(50)	-11.1%	-12.7%
<b>Sub-total Bankwide, Sanctions Office, and Funded Salary Increase</b>	<b>8</b>	<b>8,194</b>	<b>8</b>	<b>8,125</b>	<b>(69)</b>	<b>-0.8%</b>	<b>-2.4%</b>
Unfunded Vacancies from Departments	24		23				
Staff in Transition and Reassignment	8	1,200	8	1,200		0.0%	-1.6%
Termination Payments		1,500		1,500		0.0%	-1.6%
Central Accounts		10,106		9,027	(1,079)	-10.7%	-12.3%
Ethics/Conduct/ Grievance Systems		488		488		0.0%	-1.6%
<b>Sub-total</b>	<b>32</b>	<b>13,294</b>	<b>31</b>	<b>12,215</b>	<b>(1,079)</b>	<b>-8.1%</b>	<b>-9.7%</b>
<b>B. Management Budget</b>	<b>1,797</b>	<b>551,188</b>	<b>1,797</b>	<b>559,998</b>	<b>8,811</b>	<b>1.6%</b>	<b>0.0%</b>
<b>BANK TOTAL (A+B)</b>	<b>1,937</b>	<b>591,443</b>	<b>1,938</b>	<b>601,731</b>	<b>10,288</b>	<b>1.7%</b>	<b>0.1%</b>
C. Bank's 60 Year Anniversary (one-time expenditure)				1,671	1,671		
<b>Grand Total (A+B+C)</b>	<b>1,937</b>	<b>591,443</b>	<b>1,938</b>	<b>603,402</b>	<b>11,959</b>	<b>2.0%</b>	<b>0.4%</b>

<sup>1</sup> As per Board Approved GA-266-5.<sup>2</sup> VPs/Departments include an estimated Funded salary increase of 1.9% for International Staff and -3.9% for National Staff, for illustrative purposes only, as well as \$1.8 million in ITE, \$1 million in KIC, \$228 thousand in RMG, \$15 thousand in BDA, \$20 thousand in CID, and \$227 thousand in CCB for recurring administrative expenses from completed capital projects.<sup>3</sup> Includes Staff, Family and Retirees Associations, Office of the Ombudsperson, Young Professionals, Internship Program, Staff on Secondment, Staff Relations, and other centrally held items.

- 4.34 Table 4.6 below provides the 2019 approved budget by major item of expense. The table shows the construction of the 2019 approved budget, starting from the 2018 approved budget and adding the \$8.8 million of 2019 CCAC increases (as referenced in Section A.1. of this Chapter) to get to the 2019 Baseline Budget. This 2019 Baseline Budget reflects the full funding of Management's SLC and will be used to formulate the 2020 SLC budget.
- 4.35 In order to fund the 2019 resource demands beyond the CCAC (\$3.4 million), Management identified budget efficiencies and reallocated them accordingly. The internal budget reallocations shown in Table 4.6 also take into consideration other reallocation efforts aimed at improving the alignment between budget formulation and execution.
- 4.36 Consequently, the 2019 approved Labor Costs are based on planned levels of staff salaries and consultants' fees, including expected consultant remunerations funded with staff vacancy salary funds. In this context, on a net basis, resources in the 2019 Baseline Budget were reallocated from SLC and NLC to CLC, anticipating 2019 execution levels similar to those observed in recent years.
- 4.37 Funds were shifted within the NLC budget category to Training & Business Travel also as part of Management's efforts aimed at improving the alignment between budget formulation and execution. Although the 2019 Training & Business Travel budget amounts to \$12.9 million representing an increase of \$419 thousand over the 2018 approved budget (3.4% nominal and 1.8% real increase), this level is significantly below the executed levels in this budget category for the past years.
- 4.38 In addition, to adopt further measures aimed at improving the alignment between budget formulation and execution, Management will implement within the 2019 approved Management Budget an internal target limit for budget transfers during execution, whereby the CLC and NLC account groups shown in Table 4.6 will be limited to an increase of not more than 6% of their respective 2019 approved budget amounts. This measure will ensure, for example, that the 2019 execution level of the Training Travel and Business Travel – Local and International budget category does not exceed the execution levels of the 2015-2017 budget period noted in the previous paragraph.

**Table 4.6. 2019 Approved Administrative Budget by Item of Expense**

Items of Expense (\$000)	a	b	c = a + b	d	e = c + d	f = e - a	g = f / a	h = g - % CCAC
	2018 Approved Budget <sup>1</sup>	CCAC	2019 Baseline Budget	Internal Management Reallocations	2019 Approved Budget	2019 vs. 2018 Approved		
						\$	% Nominal	% Real
<b>Management Budget</b>								
<b>Labor Costs</b>								
SLC - Staff Costs <sup>2</sup>	345,378	4,592	349,970	(2,504)	347,466	2,088	0.6%	-1.0%
CLC - Complementary Labor Costs	103,521	1,391	104,913	4,194	109,107	5,586	5.4%	3.8%
<i>DTC, TTC &amp; Consultants - Contractual Modalities<sup>3</sup></i>	36,373				41,244	4,871	13.4%	11.8%
<i>PEC - Contractual Modalities<sup>3</sup> &amp; Business Consulting Firms<sup>4</sup></i>	46,493				46,482	(11)	0.0%	-1.6%
<i>Contractuals &amp; Business Consulting Firms - Transactional Budget</i>	20,655				21,382	726	3.5%	1.9%
<b>Sub-total Labor Costs</b>	<b>448,899</b>	<b>5,983</b>	<b>454,883</b>	<b>1,690</b>	<b>456,573</b>	<b>7,673</b>	<b>1.7%</b>	<b>0.1%</b>
<b>Non-Labor Costs - NLC</b>								
Outside Services <sup>5</sup>	3,511				3,076	(434)	-12.4%	-14.0%
Learning Logistics and Fees	4,010				4,114	104	2.6%	1.0%
Travel	25,162				25,559	397	1.6%	0.0%
<i>Training Travel &amp; Business Travel - Local &amp; International</i>	12,444				12,863	419	3.4%	1.8%
<i>Business Travel - Transactional Budget<sup>6</sup></i>	12,718				12,696	(22)	-0.2%	-1.8%
General Administrative Costs <sup>7</sup>	69,605				70,676	1,071	1.5%	-0.1%
<b>Sub-total Non-Labor Costs</b>	<b>102,288</b>	<b>2,827</b>	<b>105,115</b>	<b>(1,690)</b>	<b>103,425</b>	<b>1,137</b>	<b>1.1%</b>	<b>-0.5%</b>
<b>A. Management Budget</b>	<b>551,188</b>	<b>8,811</b>	<b>559,998</b>		<b>559,998</b>	<b>8,811</b>	<b>1.6%</b>	<b>0.0%</b>
<i>BOG, EXD, MEC, OVE &amp; Tribunal</i>	40,256				41,733	1,477	3.7%	2.1%
<b>B. BOG, EXD, MEC, OVE, Tribunal</b>	<b>40,256</b>				<b>41,733</b>	<b>1,477</b>	<b>3.7%</b>	<b>2.1%</b>
<b>BANK TOTAL (A+B)</b>	<b>591,443</b>				<b>601,731</b>	<b>10,288</b>	<b>1.7%</b>	<b>0.1%</b>
C. Bank's 60 Year Anniversary (one-time expenditure)					1,671	1,671		
<b>Grand Total (A+B+C)</b>	<b>591,443</b>				<b>603,402</b>	<b>11,959</b>	<b>2.0%</b>	<b>0.4%</b>

<sup>1</sup> As per Board Approved GA-266-5.

<sup>2</sup> SLC includes Salaries, Benefits, Overtime, Special Employees, and \$1.5 million termination payments in 2019 previously reported under General Administrative Costs. The 2019 SLC CCAC includes \$4.5 million for salaries and benefits, and \$0.1 million for overtime and special employees.

<sup>3</sup> Includes contractuals to support Knowledge Management and training programs.

<sup>4</sup> Includes employment agencies and freelancers, business consulting firms, firms to support Knowledge Management and Training, audit and legal fees.

<sup>5</sup> Includes contractual services that do not directly support the Bank's business activities.

<sup>6</sup> Includes in 2019 operational support budget of \$900 thousand.

<sup>7</sup> Includes in 2018 \$1.5 million in termination payments.

4.39 Additional details can be found in Annex B which illustrates the expenditures by Organizational Unit as of December 31, 2018.

## 5. 2019 APPROVED CAPITAL BUDGET

5.1 The 2019 approved Capital Budget has been presented with comprehensive details in the 2019-2021 Medium-Term Capital Budget Plan ([GA-266-6](#)) approved by the Board on July 18, 2018. The present Chapter summarizes the key elements of the information presented in that document.

### A. Outcome of the Prioritization Exercise for 2019 Projects

5.2 After a review of all project proposals submitted for funding in 2019, 11 new projects were ultimately considered, prioritized, and included in the 2019 Plan, together with 30 continuing projects (Figure 5.1). For further details on the 2019 approved Capital Budget Plan by project category, namely HQS, COF and IT, as well as the corresponding estimated requirements for 2020 and 2021, please refer to Annexes D1, D2 and D3.

**Figure 5.1. Outcome of the 2019 Project Prioritization Exercise**



### B. 2019 Capital Budget Plan – Overview

5.3 Management conducted an evaluation of the Capital Budget resource requirements initially requested by project sponsors, taking into consideration sponsors’ capacity to execute their respective projects and estimated expenses and milestones foreseen for each individual project during 2019.

5.4 The result of the 2019 evaluation shows an approved Capital Budget for 2019 of \$57.1 million (versus \$90.5 million initially requested by project sponsors), that includes:

- \$54.1 million for all continuing and new projects which corresponds to the resources required to fund the set of achievable milestones foreseen for these projects in 2019.
- \$3.0 million of Flexible Resources to enable funding of subsequent milestones for fast executing projects during 2019.

5.5 Table 5.1 below provides an overview of the 2019 approved Capital Budget Plan by Project Category.

**Table 5.1. 2019 Capital Budget by Project Category – Overview**

Project Categories (\$000)	2018 Approved Budget	2019 Continuing Projects (a)	2019 New Projects (b)	Flexible Resources (c)	Total 2019 Approved Budget (a+b+c)
Headquarters & Country Offices					
Headquarters	6,806	4,555	1,825		6,380
Country Offices	8,569	19,025	3,039		22,064
<b>Total Headquarters &amp; Country Offices</b>	<b>15,375</b>	<b>23,580</b>	<b>4,864</b>		<b>28,444</b>
Information Technology	31,742	21,149	4,495		25,644
<b>Total Information Technology</b>	<b>31,742</b>	<b>21,149</b>	<b>4,495</b>		<b>25,644</b>
Flexible Resources	3,000			3,000	3,000
<b>Total Flexible Resources</b>	<b>3,000</b>			<b>3,000</b>	<b>3,000</b>
<b>Total Capital Budget Plan</b>	<b>50,117</b>	<b>44,729</b>	<b>9,359</b>	<b>3,000</b>	<b>57,088</b>

## 6. 2019 APPROVED OC STRATEGIC DEVELOPMENT PROGRAMS (OC-SDPs)

### A. Background Information and Overview

- 6.1 In 2005, the IDB began employing income from the OC to support special programs deemed strategically relevant to both the Bank and the region. Subsequent to nearly a decade of operations which witnessed the creation of 19 special programs, Management began working collectively with the Board of Executive Directors to enhance the planning and management of TC operations financed by the OC, an effort that culminated in the Board's unanimous approval of the document establishing the OC-SDPs ([GN-2819-1](#)). This document brought to fruition the programs complete restructuring, including reducing them in number (from 19 to six), developing standardized results frameworks for each to facilitate robust monitoring and reporting, and aligning each with the challenges and cross-cutting themes of the UIS. Since they became effective on January 1, 2017, the restructured OC-SDPs, along with the accompanying improvements to procedures and policies, have ushered in greater levels of flexibility, transparency, and accountability in the management of OC-SDP resources. Importantly, OC-SDP rationalization and streamlining, together with the Bank's new and improved monitoring and reporting tools, facilitated delivery of a comprehensive report on results of the 2017 OC-SDPs. This report – first delivered to the Board in document [GN-2819-5](#), was accompanied by a technical briefing in July of 2018.

### B. 2019 OC Strategic Development Programs

- 6.2 The approved OC-SDP allocation for 2019 is \$107 million, leaving it unchanged from the 2018 approved level. Management deemed this level to be appropriate for 2019 as a result of a combination of factors, including:
- 1) **Unmet demand levels that continue to remain high despite the 2018 funding level increase**<sup>24, 25</sup>. For 2018, this figure reached \$16.4 million, the highest level in a single year since the Bank began recording unmet demand levels. In line with the strategic decision to employ more OC-SDP resources to drive investment, increased demand for non-reimbursable TC has coincided with higher shares of OS TC approvals, which, as of December 31, 2018, were 21% greater in terms of number of operations and 53% greater in volume when compared to the same time in 2017.
  - 2) **The need to continue addressing the new normal of low economic growth in the region.** Beginning in 2018, the Bank began partnering with borrowing member countries to support the development of growth agendas to identify and understand the critical factors limiting economic growth. The 2018 Economic Growth pilot resulted in the approval of nine TCs that benefitted all 26 of the Bank's borrowing member countries. Financed interventions are seeking to

<sup>24</sup> Average annual unmet demand reported in the 2018 Program and Budget Proposal ([GA-266-1](#)) was \$7.4 million. Unmet demand is calculated using the annual sum of TC operations sent to the Grants and Co-Financing Unit (GCM) Single Window for funding that were not financed during the current year due to resource constraints (such as the depletion of the program's resources), despite having been prioritized and granted eligibility by the corresponding Eligibility and Strategic Committee (ESC).

<sup>25</sup> Examples of TC operations that went unfunded in 2018 [can be found here](#).

address barriers that may be impeding the development of several key sectors, including infrastructure and construction, SMEs, biotechnology, the Blue Economy, and trade, among others. Efforts to strategically employ OC resources to contribute to the acceleration of economic growth will continue throughout 2019 to support key sectors such as SMEs, internal and external labor mobility, and growth through the private sector with an emphasis on gender and climate change, among others.

- 6.3 The 2019 allocation to the OC-SDPs was approved through the Resolution for “Ordinary Capital Strategic Development Programs for Fiscal Year 2019”. The allocation of resources was approved for the following OC-SDPs:

### **1. OC-SDP for Countries**

- 6.4 In 2019, the work undertaken by the OC-SDP for Countries will be rooted in the premise that sound institutions and a clear national planning framework are key to designing appropriate policies to address LAC development challenges. As such, resources will be directed to activities aimed at strengthening the planning, monitoring and evaluation capacities of Planning/Finance ministries to foster evidence-based decision making. Resources from this OC-SDP will also be directed towards robust dialogue with governments, and knowledge exchanges that benefit key actors in borrowing member countries. Finally, this OC-SDP will continue to finance ‘Growth Priority TCs’ as described in paragraph 6.2(2).

### **2. OC-SDP for Infrastructure**

- 6.5 In 2019, this OC-SDP will focus on project execution, gender and diversity, and innovation. To support better infrastructure project preparation and to improve beneficiaries’ project execution capacity, it will continue to facilitate the effective undertaking of regulatory, institutional, and legal reforms aimed at enhancing the quality and quantity of infrastructure services. Second, owing to the Bank’s member countries’ needs, activities funded with the OC-SDP will also seek to support gender and diversity mainstreaming in LAC by helping plan, prepare and execute multi-sectoral infrastructure projects that incorporate the Bank’s key strategic priorities. Finally, it will finance activities aimed at supporting the strengthening of innovation within processes and technology in infrastructure to foster efficiency and quality of infrastructure services, implementation capacity, and cutting-edge knowledge products in infrastructure relevant areas in LAC.

### **3. OC-SDP for Institutions**

- 6.6 This OC-SDP’s 2019 priority areas will build upon the areas prioritized in 2018 and reflect the intersection between the SDP’s expected outcomes, continued efforts to enhance the Bank’s support to institutional development, and countries’ emerging needs. Priority areas include, but are not limited to: (i) strengthening the institutional architecture of LAC public sector entities, including areas such as management for development results, country systems, citizen security, and other institutional development initiatives; (ii) leveraging the opportunities of the digital economy by providing comprehensive interventions for strengthening capacities of governments as enablers of the digital economy, promoting the development, use and adoption of digital technologies by governments, firms and citizens, and fostering digital talent in the public and private sectors and other ecosystem actors; and, (iii) fostering the

development and implementation of dialogue and knowledge exchange platforms and tools, such as the Regional Policy Dialogue, among other initiatives. These areas reflect this OC-SDP continued commitment to further strengthen the public sector institutional capacity and provide comprehensive support to LAC countries' digital agendas.

#### **4. OC-SDP for Integration**

- 6.7 In 2019, this OC-SDP will continue to focus on Integration Hardware, Software, and Functional Cooperation. A strategic alliance between the Integration and Trade Sector (INT) and the Infrastructure and Environment Sector (INE) will continue to drive efforts to tackle infrastructure, connectivity, and logistics challenges with significant impacts on global value chains and trade. In terms of Software, this OC-SDP will also promote cross-border and regional initiatives, including trade facilitation projects which promote the implementation of the Authorized Economic Operator (AEO), a key element in achieving efficiency gains not only for companies but also for customs administrations, allowing them to focus on critical security challenges. In order to maneuver the inherent complexities of border initiatives, trade facilitation projects have been linked to the Trade and Investment Division (INT/TIN) loans, capacity building, and continuous learning activities.
- 6.8 Furthermore, this OC-SDP will continue to support the Regional Public Goods (RPG) Initiative through its Annual Call for Proposals, dedicating nearly two thirds of its resources to an initiative that has proven to be an incubator for innovative projects that are often successful due to the positive externalities of a regional approach. RPG priorities will include technology-based projects and their application to addressing regional problems, and cross-sector alliances will be promoted to tackle regional issues and increase efficiencies when producing multisectoral public goods.

#### **5. OC-SDP for Social Development**

- 6.9 During 2019, the OC-SDP for Social development will focus on the UIS regional challenge of Social Exclusion and Inequality, through supporting interventions in education, health, social protection, gender, diversity and improvement of labor markets. This OC-SDP will specially support the generation and use of rigorous evidence to inform policy and innovations in the delivery of social programs. Specific themes which the OC-SDP for Social Development will focus on include: (i) technology used as means to make the definition and delivery of social services more effective and efficient; (ii) human capital investments in education and productivity growth programs; (iii) challenges associated with ageing population including coping with an unprecedented demographic transition and reforms in healthcare systems; and, (iv) the future of work and the impact of automation in labor markets and skill development.

#### **6. OC-SDP for Sustainability**

- 6.10 In 2019, this OC-SDP will build upon areas prioritized in past years, including supporting borrowing member countries efforts to implement and design future investment plans associated with their Nationally Defined Contributions (NDC) in different sectoral areas, strengthening capacities related to disaster risk management (DRM), increasing agricultural productivity, quality, and access to food, and supporting municipal governments in their efforts to prepare for challenges related to rapid urban growth. Additionally, this OC-SDP will

support new areas that are to become an integral part of the strategic agenda of the Bank, including: (i) the development of Heritage Cities; (ii) driving the Orange Economy (cultural and creative industries); and (iii) natural capital, through seeking out opportunities to expand the adaptation portfolio in Biodiversity, Ecosystems, and Oceans, among others. Finally, to continue meeting demand for the large number of requests for support in the aftermath of natural disasters, up to \$2.0 million within this OC-SDP can be directed to TCs that fall under the Natural Disaster Assistance intervention type delineated in paragraph 7.29(6) of document [GN-2819-1](#).

**Table 6.1. 2019 Approved Funding for Strategic Development Programs Financed by Ordinary Capital (\$ Millions)**

<b>Ordinary Capital Strategic Development Program (OC-SDP)</b>	<b>2018 Funding Approved (DE-129/17)</b>	<b>Total Availability as of Jan 1, 2018<sup>1</sup></b>	<b>2019 Funding Approved (DE-134/18)</b>	<b>Total Availability as of Jan. 1, 2019<sup>2</sup></b>
OC-SDP for Countries <sup>3</sup>	22.50	23.05	22.50	22.99
OC-SDP for Infrastructure	18.40	19.84	18.60	20.06
OC-SDP for Institutions	17.70	19.35	18.55	19.22
OC-SDP for Integration	13.00	13.62	12.50	13.84
OC-SDP for Social Development	15.50	16.15	15.50	16.86
OC-SDP for Sustainability <sup>4</sup>	14.55	16.07	14.00	15.24
Flexibilization Resources <sup>5</sup>	5.35	5.35	5.35	5.35
<b>Total</b>	<b>107.00</b>	<b>113.42</b>	<b>107.00</b>	<b>113.57</b>

<sup>1</sup> Includes funding approved for 2018 of \$107 million and cancellations from previous years of \$6.4 million.  
<sup>2</sup> Includes funding approved for 2019 of \$107 million, cancellations from previous years of \$6.5 million, and 2018 carryovers of \$67,925.  
<sup>3</sup> 2019 funding approved for the OC-SDP for Countries includes \$7 million to be directed to "Growth Priority Technical Cooperation."  
<sup>4</sup> Up to \$2 million of the 2019 approved funding to the OC-SDP for Sustainability can be used to finance Natural Disaster Assistance.  
<sup>5</sup> 2019 Flexibilization Resources level corresponds to 5 percent of the 2019 approved funding level.

## 7. 2019 ESTIMATED ADMINISTRATIVE INCOME AND REIMBURSEMENT FLOWS OUTSIDE THE ADMINISTRATIVE BUDGET

### A. 2019 Estimated Administrative Income

- 7.1 The Bank’s administrative income is not accessible for use by the Bank’s departments. It is recorded directly as income to the OC and reflected in the Bank’s OC financial statements.
- 7.2 Table 7.1 below provides details on the \$9.2 million estimated administrative income to be recorded directly to the OC in 2019: (i) \$97 thousand from the Inter-American Institute for Social Development (INDES) training fees; (ii) \$500 thousand from Argentina’s Contribution to the Institute for the Integration of Latin America and the Caribbean (INTAL); (iii) \$345 thousand from leasing the Bank’s HQS and COF facilities and parking to third parties; (iv) \$4.9 million from leasing the Bank’s HQS and COF facilities and parking to the IDB Invest; (v) \$1.7 million from staff benefit costs paid by IDB Lab to the Bank; and (vi) \$1.7 million from the standard 5% fee received from donors to help defray the management of Donor Trust Funds (DTFs) and Project Specific Grants (PSGs).

**Table 7.1. 2019 Sources of Estimated Administrative Income Recorded Directly to the Ordinary Capital**

Sources of Estimated Income	(\$000)
INDES Training Fees	97
Argentina Contribution to INTAL	500
HQS & COF Space Lease and Parking	345
IDB Invest - HQS & COF Space Lease and Parking	4,933
IDB Lab - Staff Benefit Costs	1,670
Donor Trust Funds and PSGs Standard Fee	1,693
<b>Total Estimated Income</b>	<b>9,238</b>

### B. 2019 Estimated Reimbursement Flows

- 7.3 Reimbursements are received by IDB’s departments for Bank services performed in addition to their regular RBB work program. These reimbursements are allocated and executed outside the Administrative Budget, keeping a “firewall” between the two sources and preventing the commingling of funds.
- 7.4 As shown in Table 7.2 below, the 2019 total estimated reimbursements to be received and executed outside the Bank’s Administrative Budget amounts to \$21.5 million:

- a) Reimbursements of \$9.3 million will come from:
    - (i) Specific trust fund agreements established with a customized fee under a cost-sharing modality<sup>26</sup> instead of the 5% standard fee to cover all or part of the costs incurred by the Bank in preparing, executing and monitoring projects, as well as in administering the funds; this fee is distributed among the departments that perform this work in addition to their regular RBB work program;
    - (ii) Similar to the above-mentioned specific trust funds, Bank departments receive reimbursements from PSGs requiring special and extraordinary partnership services and arrangements for which additional workload is generated by the preparation, execution and monitoring of PSG operations (TCs and Investment Grants) and by the administration of PSG resources. The distribution of the fee is stated in the individual PSG;
  - b) Reimbursements of \$1.3 million are expected from parking garage users and paying agency fees;
  - c) A total of \$9.7 million are estimated to be reimbursed to IDB departments by IDB Invest for services provided under the SLAs; and
  - d) A total of \$1.3 million are estimated to be reimbursed to IDB departments by IDB Lab for services provided.
- 7.5 Furthermore, a total of \$55.0 million are estimated to be paid to the IDB Invest by the IDB from the SLA for NSG services related to new operations, portfolio, and special assets services provided by the IDB Invest. This payment is also executed outside the Administrative Budget, to keep a “firewall” between the two sources and prevent commingling of funds.

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<sup>26</sup> In all cases, for trust funds as well as PSGs, the customized cost-sharing modality has been presented to and authorized by the Board.

**Table 7.2. 2019 Estimated IDB Invest and Other Reimbursements and Payments to be Received Outside the Administrative Budget**

Estimated Reimbursements and Payments from SLAs Between IDB and IDB Invest (\$000)	Donor Trust Funds & PSGs (Cost Sharing) <sup>2</sup>	HQS Parking & Other <sup>3</sup>	IDB Invest SLAs <sup>4</sup>	Services to IDB Lab <sup>5</sup>	Total
VPC	2,222		949		3,171
VPS	4,821		927	106	5,854
<b>Total Operational Departments</b>	<b>7,044</b>		<b>1,876</b>	<b>106</b>	<b>9,025</b>
MEC & OVE			2,023		2,023
STC	1,000		2,133	305	3,438
VPF	1,234	75	3,238	862	5,410
OMB & SRP			387		387
HQS Facilities		1,210			1,210
<b>Total Non - Operational Support Departments &amp; Others</b>	<b>2,234</b>	<b>1,285</b>	<b>7,781</b>	<b>1,167</b>	<b>12,467</b>
<b>Total Estimated Reimbursements to be Received by the IDB<sup>1</sup></b>	<b>9,278</b>	<b>1,285</b>	<b>9,657</b>	<b>1,273</b>	<b>21,493</b>
<b>Total Estimated IDB Payments to IDB Invest for NSG Services<sup>6</sup></b>			<b>55,000</b>		<b>55,000</b>

<sup>1</sup> Reimbursements are provided to the corresponding departments in cost centers maintained outside of the Administrative Budget, to keep a “firewall” between the two sources of funds and prevent commingling of funds.

<sup>2</sup> These reimbursements are from Donor Trust Funds and PSGs such as Global Environmental Facility, Mesoamerica Health Facility, and China Co-financing Fund for LAC, among others, to cover departments' additional workload related to loans/TCs/investment grants, independent of the Bank's regular work program.

<sup>3</sup> Corresponds to the parking fees collected from employees to cover the overhead cost of operating the garage (repairs, guards, access control equipment, painting, etc.) and paying agency fees.

<sup>4</sup> Related to different corporate, oversight and other services provided by the IDB.

<sup>5</sup> Related to services provided by the IDB as per “Framework for the Service Provision and Reimbursement of Charges of the MIF” (MIF/GA-1-1).

<sup>6</sup> Related to new operations, portfolio, and special assets services provided by the IDB Invest.

**APPROVED RESOLUTIONS**

## DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## RESOLUTION DE-131/18

Administrative Budget and Capital Improvements Program  
of the Inter-American Development Bank  
for Fiscal Year 2019

The Board of Executive Directors

RESOLVES:

**A. Administrative Budget of the Inter-American Development Bank for Fiscal Year 2019**

1. To approve the Administrative Budget of the Inter-American Development Bank for fiscal year 2019 in the total amount of US\$ 603,401,972 to be financed from the Bank's income. This amount shall be applied to the following budgetary categories:

I.	Board of Governors	US\$	5,397,843
II.	Board of Executive Directors		23,881,494
III.	Independent Consultation and Investigation Mechanism		2,553,846
IV.	Office of Evaluation and Oversight		8,335,985
V.	Administrative Tribunal		1,563,711
VI.	Headquarters and Country Offices		559,998,093
VII.	Sixtieth Anniversary of the Bank		1,671,000

2. To authorize payments to be charged against the Bank's income, up to the amounts specified in each of the above-mentioned categories. Any payment exceeding the total amount provided under any of these categories should be submitted for prior approval to the Board of Executive Directors, except when: (i) it is necessary to cover unforeseen expenditures in excess of the amount allocated to any category or categories, in which case the President of the Bank is authorized to transfer thereto up to a total of 2% of the amount allocated to any other category, provided that the amount so transferred is not in excess of 10% of the total already authorized for the category to which it is transferred; or (ii) the President of the Bank, or such representative as he may designate, transfers any amount from the Transactional Budget (Operational Support Budget) for fiscal year 2020 to the category in subparagraph A.1.VI above pursuant to Resolution DE-132/18. Any transfers made as provided herein shall be included in the periodic Program and Budget Execution Reports mentioned in paragraph A.9 of this Resolution.

3. To authorize the President of the Bank to make adjustments between this budget and the Administrative Budget for the Social Progress Trust Fund as a result of the allocation of expenses pursuant to the Social Progress Trust Fund Agreement.

4. To provide that, during fiscal year 2019, administrative expenses be charged: (a) to

the income from the Ordinary Capital; and (b) to the resources of the Social Progress Trust Fund or any other trust fund under administration, as it may be applicable, in accordance with the terms of their agreements.

5. To provide that any unspent amount for fiscal year 2019 from the amount allocated in subparagraph A.1.VI of this Resolution to the “Headquarters and Country Offices” category for the purpose of the Transactional Budget (Operational Support Budget) be transferred to the corresponding category in the budget for fiscal year 2020 for the same purpose. This unspent amount will be separate from any savings to be transferred to the budget for fiscal year 2020 pursuant to paragraph A.6 of this Resolution and will be reported to the Board of Executive Directors following the close of the accounting cycle for fiscal year 2019.

6. To provide that any savings for fiscal year 2019, up to 1.5% of each of the budgetary categories in subparagraphs A.1.I-VI above, may be transferred to the corresponding budgetary categories in the budget for fiscal year 2020. These savings will be reported to the Board of Executive Directors following the close of the accounting cycle for fiscal year 2019.

7. To provide that any unspent amount for fiscal year 2019 from the amount allocated in subparagraph A.1.VII of this Resolution to the “Sixtieth Anniversary of the Bank” category be transferred to the corresponding category in the budget for fiscal year 2020. This unspent amount will be reported to the Board of Executive Directors following the close of the accounting cycle for fiscal year 2019.

8. To take note of the estimated contribution to the Bank’s Retirement Plans in the amount of US\$ 87,398,401 and that the allocation for the actual contribution shall be authorized by separate resolution.

9. To provide the Board of Executive Directors with periodic Program and Budget Execution Reports detailing the 2019 administrative expenses.

**B. Capital Improvements Program of the Inter-American Development Bank for Fiscal Year 2019**

1. To approve the Capital Improvements Program for fiscal year 2019 in the amount of US\$ 57,088,169.

2. To authorize that payments and commitments may be made up to the total amount specified in this program.

3. To provide the Board of Executive Directors with periodic Program and Budget Execution Reports detailing the 2019 Capital Improvements Program.

(Adopted on 12 December 2018)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

RESOLUTION DE-132/18

Transactional Budget (Operational Support Budget)  
Resources for Fiscal Year 2020 in Support of the  
2019-2020 Biennial Programming

The Board of Executive Directors

RESOLVES:

To approve, in support of the Bank's 2019-2020 Biennial Programming, a portion of the Transactional Budget (Operational Support Budget) for fiscal year 2020 in an amount of up to US\$ 5,250,000, and to authorize the President of the Bank, or such representative as he may designate, to transfer such amount to the "Headquarters and Country Offices" category in subparagraph A.1.VI of Resolution DE-131/18 (Administrative Budget and Capital Improvement Program of the Inter-American Development Bank for Fiscal Year 2019) for the purpose of advancing, during fiscal year 2019, the preparation of projects programmed for fiscal year 2020. Any such transferred amount shall be reported to the Board of Executive Directors following the close of the accounting cycle for fiscal year 2019 as part of the Program and Budget Execution Report process.

(Adopted on 12 December 2018)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

RESOLUTION DE-133/18

Administrative Budget for the Social Progress Trust Fund for Fiscal Year 2019

The Board of Executive Directors

RESOLVES:

1. To approve the Administrative Budget for the Social Progress Trust Fund for fiscal year 2019 in the amount of US\$ 176,640.
2. To authorize that payments and commitments to cover expenses pertaining to services provided by the Bank as Administrator of the Social Progress Trust Fund may be made up to the amount specified including external auditor fees. Should it be necessary to make adjustments between this budget and the Administrative Budget of the Bank as a result of the allocation of expenses, in accordance with the Social Progress Trust Fund Agreement, the President of the Bank is authorized to make transfers and to modify the two budgets accordingly.

(Adopted on 12 December 2018)

## DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

## RESOLUTION DE-134/18

Ordinary Capital Strategic Development Programs  
for Fiscal Year 2019

The Board of Executive Directors

## RESOLVES:

1. To approve, for fiscal year 2019, the following allocations to be charged to the ordinary capital resources of the Bank, to finance the OC-SDPs in accordance with Resolution DE-34/16:

OC-SDP	Fiscal Year 2019 Allocation
OC-SDP for Countries	US\$ 22,500,000
OC-SDP for Infrastructure	US\$ 18,600,000
OC-SDP for Institutions	US\$ 18,550,000
OC-SDP for Integration	US\$ 12,500,000
OC-SDP for Social Development	US\$ 15,500,000
OC-SDP for Sustainability	US\$ 14,000,000

2. To approve, for fiscal year 2019, an allocation in the amount of US\$ 5,350,000 to be charged to the ordinary capital resources of the Bank for use as Flexibilization Resources in accordance with Resolution DE-34/16 and document GN-2819-1. Unused Flexibilization Resources in fiscal year 2019 will not be carried over to the following fiscal year.

(Adopted on 12 December 2018)

**ANNEXES**

### Annex A. 2018 Approved and 2019 Estimated Bank Contributions to Retirement Plans

Organizational Unit (\$000)	2018 Approved Budget <sup>1</sup>	2019 Estimated Budget <sup>2</sup>	2019 Estimated vs. 2018 Approved Budget		
	\$	\$	\$	% Nominal <sup>3</sup>	% Real <sup>3</sup>
<b>Bank Contributions</b>					
Retirement Plans	53,880	56,502	2,621	4.9%	3.3%
Post-Retirement Benefits	29,525	30,896	1,371	4.6%	3.0%
<b>Total Bank Contributions</b>	<b>83,405</b>	<b>87,398</b>	<b>3,993</b>	<b>4.8%</b>	<b>3.2%</b>
Total Budget from Table 4.5	591,443	603,402	11,959	2.0%	0.4%
<b>Grand Total Including Bank Contributions <sup>3</sup></b>	<b>674,849</b>	<b>690,800</b>	<b>15,951</b>	<b>2.4%</b>	<b>0.8%</b>

<sup>1</sup> Figures shown for 2018 are per Resolution DE-118/18 approved by the Board of Executive Directors on December 6, 2018.

<sup>2</sup> Bank contribution figures are for disclosure purposes only. Pursuant to Document "Proposal for an Alternate Process for Consideration of the Bank's Pension Contributions" (GN-2599-26), Management will present actual final contributions to be considered and approved by the Board in the fourth quarter of 2019.

<sup>3</sup> For illustrative purposes only.

**Annex B. 2018 Expenditures by Organizational Unit as of December 31, 2018**

Organizational Unit (\$000)	Approved Budget <sup>1</sup>	Expended as of 12/31/2018			Expended as % of Approved Budget
		Labor Costs	Non-Labor Costs	TOTAL	
Board of Governors	4,493	1,275	2,755	4,030	89.7%
Board of Executive Directors	23,386	18,924	2,116	21,040	90.0%
Independent Consultation and Investigation Mechanism	2,632	1,908	176	2,084	79.2%
Office of Evaluation and Oversight	8,181	5,760	1,117	6,877	84.1%
Administrative Tribunal	1,564	697	168	865	55.3%
<b>Sub-Total</b>	<b>40,256</b>	<b>28,563</b>	<b>6,333</b>	<b>34,896</b>	<b>86.7%</b>
Administrative Carryover for BOG, EXD, MEC, OVE & Tribunal	601				
Special Carryover <sup>2</sup>	387	224		224	57.9%
<b>A. BOG, EXD, MEC, OVE, Tribunal</b>	<b>41,244</b>	<b>28,787</b>	<b>6,333</b>	<b>35,120</b>	<b>85.2%</b>
<b>Management Budget</b>					
Office of the President	6,028	4,987	787	5,774	95.8%
Office of Institutional Integrity	3,513	2,722	395	3,117	88.7%
Office of the Executive Vice President	2,670	2,352	320	2,671	100.1%
Office of the Executive Auditor	5,552	4,844	394	5,238	94.3%
Office of External Relations <sup>3</sup>	12,696	4,872	876	5,747	45.3%
Office of Outreach and Partnerships	12,190	9,828	2,238	12,066	99.0%
Office of Risk Management	8,390	6,330	2,132	8,462	100.8%
Office of the Secretary	13,301	12,624	490	13,114	98.6%
Office of Strategic Planning and Development Effectiveness	10,463	9,065	866	9,931	94.9%
Office of Ethics	1,901	1,704	211	1,914	100.7%
Micro, Small and Medium Enterprise Unit	2,920	2,546	148	2,694	92.3%
<b>Sub-total Strategic Core Departments</b>	<b>79,624</b>	<b>61,874</b>	<b>8,856</b>	<b>70,729</b>	<b>88.8%</b>
Vice Presidency for Countries	4,980	3,671	924	4,595	92.3%
Country Department Southern Cone	21,297	13,364	4,885	18,249	85.7%
Country Department Central America, Haiti, Mexico, Panama, and the Dominican Republic	30,513	22,585	7,114	29,699	97.3%
Country Department Andean Group	16,290	12,362	2,789	15,151	93.0%
Country Department Caribbean Group	16,007	12,854	3,015	15,869	99.1%
Operations Financial Management and Procurement Services Office	19,971	21,232	1,482	22,714	113.7%
<b>Sub-total Vice Presidency for Countries</b>	<b>109,059</b>	<b>86,069</b>	<b>20,208</b>	<b>106,277</b>	<b>97.4%</b>
Vice Presidency for Sectors and Knowledge	2,986	2,983	265	3,249	108.8%
Migration Initiative			365	365	
Environmental and Social Safeguards Unit	7,187	6,760	285	7,045	98.0%
Department of Research and Chief Economist	10,133	8,246	1,121	9,367	92.4%
Infrastructure and Environment Sector	30,881	28,371	1,426	29,797	96.5%
Social Sector	29,790	27,483	1,320	28,803	96.7%
Institutions for Development	35,991	32,925	1,647	34,573	96.1%
Knowledge and Learning Sector <sup>3</sup>	16,151	9,195	4,262	13,456	83.3%
Integration and Trade Sector	13,400	10,758	1,966	12,723	95.0%
Climate Change and Sustainable Development Sector	22,716	21,216	1,438	22,653	99.7%
Knowledge, Innovation and Communication Department <sup>3</sup>		8,372	2,682	11,054	
<b>Sub-total Vice Presidency for Sectors and Knowledge</b>	<b>169,234</b>	<b>156,673</b>	<b>16,412</b>	<b>173,085</b>	<b>102.3%</b>
Transactional Budget (Operational Support Budget)	33,374				
VPC Resources – Transactional Budget (Operational Support Budget)		3,201	491	3,691	
VPS Resources – Transactional Budget (Operational Support Budget)		18,118	12,465	30,582	
SPD Resources – Transactional Budget (Development Effectiveness)		997		997	
<b>Sub-total Transactional Budget</b>	<b>33,374</b>	<b>22,315</b>	<b>12,955</b>	<b>35,270</b>	<b>105.7%</b>
<b>Sub-total VPC, VPS &amp; Transactional Budget</b>	<b>311,667</b>	<b>265,057</b>	<b>49,576</b>	<b>314,632</b>	<b>101.0%</b>
Vice Presidency for Finance and Administration	2,416	1,864	475	2,340	96.8%
Mediation Office	579	339	14	354	61.1%
Analytics and Decision Support Unit			141	141	
Finance Department	25,073	20,350	3,691	24,041	95.9%
Human Resources Department	19,740	18,264	1,046	19,310	97.8%
Information Technology Department	51,395	38,534	14,633	53,166	103.4%
Budget and Administrative Services Department	29,850	11,284	18,649	29,932	100.3%
Legal Department	9,356	9,043	333	9,377	100.2%
<b>Sub-total Vice Presidency for Finance and Administration</b>	<b>138,408</b>	<b>99,819</b>	<b>38,841</b>	<b>138,660</b>	<b>100.2%</b>
<b>Sub-total Strategic Core, VPC, VPS, Transactional Budget &amp; VPF</b>	<b>529,699</b>	<b>426,750</b>	<b>97,273</b>	<b>524,022</b>	<b>98.9%</b>
Bankwide <sup>4</sup>	6,848	1,815	561	2,376	34.7%
Sanctions Office	896	908	77	985	109.9%
Funded Salary Increase	450				
<b>Sub-total Bankwide, Sanctions Office, and Funded Salary Increase</b>	<b>8,194</b>	<b>2,723</b>	<b>638</b>	<b>3,361</b>	<b>41.0%</b>
Staff in Transition & Reassignment	1,200	2,296		2,296	191.3%
Termination Payments	1,500		6,099	6,099	406.6%
Central Accounts	10,106	270	6,358	6,628	65.6%
Central Benefits, Previous Year Accounts, and others <sup>5 6</sup>		(2,971)	(1,600)	(4,571)	
Ethics/Conduct/Grievance Systems Reforms	488	169		169	34.7%
<b>Sub-total</b>	<b>13,294</b>	<b>(236)</b>	<b>10,858</b>	<b>10,621</b>	<b>79.9%</b>
<b>Management Budget before Carryover</b>	<b>551,188</b>	<b>429,236</b>	<b>108,768</b>	<b>538,004</b>	<b>97.6%</b>
Administrative Carryover for Management Budget	8,097	5,643	2,438	8,081	99.8%
<b>B. Management Budget</b>	<b>559,285</b>	<b>434,879</b>	<b>111,206</b>	<b>546,085</b>	<b>97.6%</b>
<b>BANK TOTAL (A+B)</b>	<b>600,529</b>	<b>463,666</b>	<b>117,539</b>	<b>581,205</b>	<b>96.8%</b>

<sup>1</sup> As per Board approved (GA-266-5). Includes Regular and Special Carryover of \$9.1 million.

<sup>2</sup> Special Carryover balance of \$387.2 thousand from 2017 (Resolution DE-143/16) for the purpose of financing the cost of an external evaluation of the Office of Evaluation and Oversight and the cost of the selection and hiring of a new Director for said office.

<sup>3</sup> Effective July 2018, as per the Proposal to Change the Basic Organization of the Bank. Creation of the Knowledge, Innovation, and Communication Sector (GA-232-48), EXR and KNL were consolidated into KIC.

<sup>4</sup> Includes: Staff, Family and Retirees Association, Office of the Ombudsperson, Young Professionals, Internship Program, Staff Relations and Staff on Secondment.

<sup>5</sup> Includes: Central benefits, Departments end of year surplus, variable pay, and Other Centrally Paid Administrative Expenses.

<sup>6</sup> As of December 31, 2018 the central benefit expenditure rate is lower than the amounts allocated to organizational units based on standard benefit's ratio for actual Labor Cost expenditure. Under Non-labor cost, credits received from unused accrual amounts from previous years are larger than the actual expenditures during the year.

### Annex C. Key Main Business Functions Description

Operations Main Business Functions	
<b>Stakeholder Engagement</b>	Products and activities related to the Bank's strategic outreach and cooperation with stakeholder, partners, and donors.
<b>Strategy and Programming</b>	Products and activities related to the preparation of sector inputs for the design and implementation of country/regional strategies, management of country and regional programming.
<b>Origination</b>	Activities related to business development, leading to new private sector operations and/or products.
<b>Preparation</b>	Products and activities related to the design and obtaining approval of operations to finance economic and social development through lending and grants to public entities.
<b>Supervision</b>	Products and activities related to the oversight, management, and execution of Bank operations (including portfolio monitoring, disbursement management, restructuring, and project completion activities).
<b>Knowledge Development</b>	Products and activities related to the generation of institutional capacity supporting country and sector knowledge across the Bank. Includes: economic studies, macroeconomic assessments, advisory and knowledge services, Economic and Sector Work (ESW), research and dissemination technical cooperation.

Corporate Main Business Functions	
<b>Corporate Services</b>	Services delivered across the Bank that encompass the efficient use and management of human and financial resources, and the effective provisioning of services to support the operations of the Bank.
<b>Corporate Governance</b>	Processes and mechanisms through which objectives are set and pursued, including monitoring of actions, policies and decisions of corporate affairs.
<b>Learning and Collaborative Knowledge Management</b>	Products and services whose primary objective is to respond to the Bank's needs in terms of training and human capital development, knowledge management, sector strategies, action plans and tools to support Bank operations.
<b>Capital Improvements Management</b>	Products and activities related to the design and implementation of capital projects.

### Annex D1. Approved Capital Budget for Headquarters 2019-2021

Headquarters (\$000)	Estimated Total Cost	Approved until 2017	Approved 2018	Approved for 2019	Estimated for 2020	Estimated for 2021	Future Recurrent Admin. Costs Upon Project Completion
<b>Continuing Projects</b>							
CP-F5055 HQS Office Space Modification 2017-19	1,500	250	511	439	300		
CP-F5056 IDB Art Collection Restoration and Facilities Renovation	790		189	451	150		83
CP-F5058 HQS Furniture Replacement Project 2017-19	600	100	270	230			50
CP-F5059 Building Exterior and Skylight Restoration	1,450		45	1,405			
CP-F5060 Ortiz Mena and Cecilio Morales Board Rooms AV/SI, Technology and Facilities Renovation	2,270	150	900	1,220			15
CP-F5062 Ashburn Conference & Training Improvements - Phase II	2,160	200	1,766	195			160
CP-F5063 Ortiz Mena and Cecilio Morales Board Rooms HVAC Equipment	675		68	608			
CP-F5064 HQS Building Exterior Safety	1,875		68	7	300	1,500	
<b>Sub Total Continuing Projects</b>	<b>11,320</b>	<b>700</b>	<b>3,816</b>	<b>4,555</b>	<b>750</b>	<b>1,500</b>	<b>308</b>
<b>New Projects</b>							
CP-F5057 Bank-wide Space Maximization and Collaborative Workplace. Phase II	14,500			1,600	5,400	7,500	
CP-F5065 1300 Roof Replacement	3,795			75	3,720		
CP-F5077 1350 NYA Floors 6 and 8 Facility Improvements	750			150	600		
<b>Sub Total New Projects</b>	<b>19,045</b>			<b>1,825</b>	<b>9,720</b>	<b>7,500</b>	
FY18 Approved Projects with no continued funding			2,990				
<b>Total</b>	<b>30,365</b>	<b>700</b>	<b>6,806</b>	<b>6,380</b>	<b>10,470</b>	<b>9,000</b>	<b>308</b>

### Annex D2. Approved Capital Budget for Country Offices 2019-2021

Country Offices (\$000)	Estimated Total Cost	Approved until 2017	Approved 2018	Approved 2019	Estimated for 2020	Estimated for 2021	Future Recurrent Admin. Costs Upon Project Completion
<b>Continuing Projects</b>							
CP-F5007 Jamaica - Kingston Replacement - Scope Update	13,645	11,702	1,660	282			421
CP-F5046 Dominican Republic -Replacement	14,810	12,528	953	1,329			442
CP-F5051 COF Furniture Replacement Project 2016-18	2,400	500	314	486	500	500	50
CP-F5053 O&M Bundle III	7,425	700	1,642	1,003	1,763	1,140	
CP-F5061 Service Center in Costa Rica Phase II	10,292	500	4,000	2,925	2,867		467
CP-F5067 COF Argentina Replacement	24,375	1,250		13,000	10,125		627
<b>Sub Total Continuing Projects</b>	<b>72,947</b>	<b>27,180</b>	<b>8,569</b>	<b>19,025</b>	<b>15,255</b>	<b>1,640</b>	<b>2,007</b>
<b>New Projects</b>							
CP-F5074 COF - Panama Expansion	3,685			2,655	1,030		394
CP-F5075 COF - Ecuador Office Replacement	11,452			384	3,500	7,568	228
<b>Sub Total New Projects</b>	<b>15,137</b>			<b>3,039</b>	<b>4,530</b>	<b>7,568</b>	<b>622</b>
FY18 Approved Projects with no continued funding							
<b>Total</b>	<b>88,084</b>	<b>27,180</b>	<b>8,569</b>	<b>22,064</b>	<b>19,785</b>	<b>9,208</b>	<b>2,629</b>

**Annex D3. Approved Capital Budget for Information Technology 2019-2021**

Information Technology (\$000)	Estimated Total Cost	Approved until 2017	Approved 2018	Approved for 2019	Estimated for 2020	Estimated for 2021	Future Recurrent Admin. Costs Upon Project Completion
<b>Continuing Projects</b>							
CP-10338	IT Security Renewal Program 2017-2019	3,776	750	1,376	1,650		
CP-10339	IT Infrastructure Lifecycle Refresh and Upgrade 2017-2019	5,770	2,000	2,000	1,313		200
CP-10349	Testing Framework and Application Implementation	600		540	60		60
CP-10350	Integration & Collaboration Components for Operations, Corporate and Treasury	2,250		766	1,484		440
CP-10360	Corporate Solutions Program 2017-2019 (Process Improvement and Technology Upgrade)	11,301	2,750	5,336	3,215		97
CP-10361	Operations Solutions Program 2017-2019 (Process Improvement and Technology Upgrade)	15,363	3,000	4,863	5,800		416
CP-10363	Treasury and Risk Solutions Program 2018-2020 (Process Improvement and Technology Upgrades)	6,595		495	3,030	3,070	
CP-10364	Local Currency Implementation Project	3,150	2,150	766	84		
CP-10365	Repurchase Agreements (REPO) Short-Term Investments	1,500	1,245	230	25		
CP-10369	Cloud Risk Security Program	925	380	329	216		428
CP-10370	Increasing the findability and openness of the Bank's data and knowledge	1,995	700	675	620		350
CP-10375	Balance Sheet Stress Testing and Dashboard Reporting	1,925	550	878	497		
CP-10377	Business Intelligence Program 2017-2019	3,125	500	1,000	1,625		140
CP-10378	Country Office Audio Visual Equipment Renewal	1,200	300	270	330	300	
CP-10381	COF Direct Connectivity to the Cloud	1,750		1,000	750		103
CP-10383	Enterprise Mobile Computing Program	850		400	450		100
<b>Sub Total Continuing Projects</b>		<b>62,075</b>	<b>14,325</b>	<b>20,924</b>	<b>21,149</b>	<b>3,370</b>	<b>2,334</b>
<b>New Projects</b>							
CP-10342	Authentication Solution Enhancement for Web applications	450			450		
CP-10344	Search Engine Technology Refresh	875			875		50
CP-10393	Endpoint data Protection and Backup Modernization	480			480		100
CP-10398	Testing Framework and Application Implementation Phase II	690			690		
CP-10399	IDB Audience Intelligence (CRM) Phase II	2,524			500	1,024	1,000
CP-10400	Connecting People, Learning and Knowledge Phase II	1,700			1,500	200	200
<b>Sub Total New Projects</b>		<b>6,719</b>			<b>4,495</b>	<b>1,224</b>	<b>1,000</b>
FY18 Approved Projects with no continued funding				10,818			
<b>Total</b>		<b>68,794</b>	<b>14,325</b>	<b>31,742</b>	<b>25,644</b>	<b>4,594</b>	<b>3,564</b>

### Annex E. Acronyms

AML/CFT	Anti-money Laundering/Combating the Financing of Terrorism
AUG	Office of the Executive Auditor
BDA	Budget and Administrative Services Department
BDA/ACP	Administrative Services, Security and Corporate Procurement Division
BDA/BGT	Budget Division
BEO	Bank Executed Operations
BMC	Borrowing Member Countries
BOG	Board of Governors
BUFIPOL	Budget and Financial Policies Committee
CAsA	Capacity Building, Asset Management, and Advisory Services
CCAC	Composite Cost Adjustment Component
CDR	Country Development Results
CECL	Current Expected Credit Losses
CIP	Corporate Input Product
CLC	Complementary Labor Costs
COF	Country Office
CPD	Country Programming Document
CPI	Composite Price Index
CRF	Corporate Results Framework
CRM	IDB Client Relationship Management platform
CRSC	Costa Rica Service Center
CS	Country Strategy
CSC	Country Department Southern Cone
CSD	Climate Change and Sustainable Development Sector
DEO	Development Effectiveness Overview
DEI	Digital Economy Initiative
DFI	Development Finance Institution
DRM	Disaster Risk Management
DSF/EPBA	Debt Sustainability Framework and Enhanced Performance-Based Allocation
DTC	Defined Term Contractual
DTF	Donor Trust Fund
ESC	Eligibility and Strategic Committee
ESG	Environmental and Social Safeguards Unit
ESW	Economic and Sector Work Product

EXD	Board of Executive Directors
EXR	Office of External Relations
FIN	Finance Department
FIN/ACC	Accounting Division
FMP	Operations Financial Management and Procurement Services Office
FMX	Fee Matrix Index
FOROMIC	Foro Interamericano sobre la Microempresa
FSI	Funded Salary Increase
FTE	Full-time Equivalent
GAP	Gender Action Plan
GCM	Grants and Co-Financing Unit
HCS	Human Capital Strategy
HQS	Headquarters
HRD	Human Resources Department
IAMC	Independent Assessment of Macroeconomic Conditions
IDB	Inter-American Development Bank
IDB-9	Ninth General Capital Increase
IMF	International Monetary Fund
IMM	Income Management Model
INDES	Inter-American Institute for Social Development
INE	Infrastructure and Environment Sector
INT	Integration and Trade Sector
INT/TIN	Trade and Investment Division
INTAL	Institute for the Integration of Latin America and the Caribbean
IT	Information Technology
ITE	Information Technology Department
KIC	Knowledge, Innovation and Communication Sector
KNL	Knowledge and Learning Sector
LAC	Latin American and the Caribbean
LEED	Leadership in Energy and Environmental Design
LEG	Legal Department
LFM	Loan Financial Management
LGBTI	Lesbian, gay, bisexual, transgender, and intersex
LTFP	Long-Term Financial Projections
MBF	Main Business Function
MDB	Multilateral Development Bank

MDN	Mediation Office
MEC	Independent Consultation and Investigation Mechanism
MERCOSUR	Southern Cone Common Market
MSME	Micro, Small, and Medium Enterprises
NDC	Nationally Defined Contributions
NLC	Non-Labor Costs
NSG	Non-Sovereign Guaranteed Operation
OC	Ordinary Capital
OC-SDP	Ordinary Capital Strategic Development Program
OGP	Operating Guiding Principle
OII	Office of Institutional Integrity
OPR	Operational Program Report
ORP	Office of Outreach and Partnerships
OS	Operational Support
OVE	Office of Evaluation and Oversight
PECs	Products and External Services Contractual
PEC	Policy and Evaluation Committee
PPP	Public-Private Partnership
PSG	Project Specific Grants
RES	Department of Research and Chief Economist
RBB	Results-Based Budgeting
R&D	Research and Development
RMG	Office of Risk Management
RPG	Regional Public Goods
SAP	Systems Application and Products in Data Processing
SDG	Sustainable Development Goals
SEC	Office of the Secretary
SFD	Sector Framework Document
SG	Sovereign Guaranteed Operation
SLA	Service Level Agreement
SLC	Staff Labor Costs
SME	Small and Medium Enterprises
SPD	Office of Strategic Planning and Development Effectiveness
SRP	Staff Retirement Plan
STC	Strategic Core
TC	Technical Cooperation

TRI	Administrative Tribunal
TRF	Total Rewards Framework
TTC	Temporary Term Contractual
UIS	Update to the Institutional Strategy
VP	Vice Presidency
VPC	Vice Presidency for Countries
VPF	Vice Presidency for Finance and Administration
VPS	Vice Presidency for Sectors and Knowledge